



Australian Sustainable Finance Taxonomy

Second consultation submission

November 2024



About the EEC

The EEC is the peak body for Australia's energy management sector.

We are a membership association for businesses, universities, governments and NGOs that have come together to ensure Australia harnesses the power of efficiency, electrification and demand management to deliver a prosperous, equitable, net zero Australia with:

- People living and working in healthy, comfortable buildings;
- Businesses thriving in a decarbonised global economy; and
- An energy system delivering affordable, reliable energy to everyone.

EEC works on behalf of its members to drive world-leading government policy, support businesses to rapidly decarbonise, and to ensure we have the skilled professionals to drive Australia's energy transformation.

Summary

The EEC welcomes the opportunity to provide feedback on the second Australian Sustainable Finance Institute Taxonomy consultation paper. The EEC supports the implementation of a sustainable finance taxonomy to allow investors and financial institutions to identify opportunities and create sustainable assets, with the ultimate goal of guiding capital to support Australia's climate objectives.

This submission includes responses or comments on consultation questions in the following sectors:

- Construction and the built environment
- Minerals, mining and metals
- Manufacturing and Industry
- Electricity Generation and Supply

The EEC commends the incorporation of criteria to assess measures that businesses are taking to improve energy performance, including energy efficiency and electrification measures.

As the world's "first fuel", energy efficiency plays a central role in the IEA's Net Zero Emissions by 2050 (NZE) Scenario. As the [IEA notes](#), "energy-efficient technologies slow growth in energy demand and play a vital role in reducing fossil fuel consumption and emissions in all sectors of the economy."

The inclusion of cross-cutting energy efficiency measures recognises the vital role energy management will play in Australia meeting its international climate pledges and other national policy objectives.

Demonstrating Taxonomy Alignment

Q1. As a voluntary tool, do you think further guidance is required to clarify how the taxonomy can be used under existing and emerging regulations? If so, what taxonomy uses do you consider to be a priority to enhance the taxonomy's voluntary adoption?

Section 3 of the consultation paper provides a useful overview of how the taxonomy can be used for various purposes. The EEC recommends that further guidance on how the taxonomy can support climate related financial disclosure and transition planning is provided.

Giving practical examples of how the taxonomy can be used by businesses to meet disclosure requirements would demonstrate the value of applying the taxonomy on a voluntary basis. For example, listing disclosure requirements, and how the taxonomy can be used to fulfil requirements. Similarly, examples of how the taxonomy can be used to support a business with transition plan development and implementation would provide clarity on how the two initiatives align.

Q2. Should the taxonomy provide guidance to lenders and users on the approach and expectation for evidencing alignment with the DNSH and MSS criteria? If so, please provide suggestions on what guidance is needed.

The EEC recommends that guidance should be provided, particularly for small to medium sized businesses which may not be as familiar with the regulations and standards referred to in Appendix 5 and Appendix 6.

For consultation: Minerals, Mining and Metals

Q13. Please provide any further feedback on specific activities here and provide evidence to support any recommendations.

The EEC supports the inclusion of 'B6. Generic measures for the mining sector' which includes electrification of the vehicle fleet, energy storage technology and switching to renewable energy sources (whether on site or grid supplied).

The EEC recommends that the decarbonisation measures set out at 'C11. Energy Efficiency for Industrial Facilities' also apply to mines sites (where applicable) and that a cross reference is included for clarity.

For consultation: Manufacturing and Industry

Q15. Are the proposed TSC usable? In this context, usability of criteria refers to whether they are comparable, clear, objective and easy to understand. If not, please explain how they could be improved

Reference to the use of, or generation of, renewable energy is referenced as a decarbonisation measure for various activities. The EEC recommends that the wording be clarified/made consistent throughout this section. For example, a decarbonisation measure in 'C1. Refining of Copper, Lithium and Nickel' includes 'Integration of renewable energy'. It is unclear whether this could include participation in demand response programs - which helps with the integration of renewable energy at a systems level, or is intended to mean the same as 'Sourcing/purchasing of renewable energy (used in C9)' or 'Installation of renewable electricity (used in C4)'.

Another instance that would benefit from greater clarity is the use of 'Renewable energy generation PPA', in C9, which appears similar to 'Sourcing/purchasing of renewable energy.'

Q16. Please provide any further feedback on specific activities here and provide evidence to support any recommendations.

The EEC supports the inclusion of electrification and heat recovery measures in 'C5. Manufacture of Cement'.

The EEC also commends the inclusion of the decarbonisation measures listed in 'C.11 Energy Efficiency for Industrial Facilities'. There are two amendments we would propose:

1) Delete the first sentence in the first measure and just leave the second sentence so it reads as follows:

- Implementation of a recognised energy management system

This change is suggested to ensure the taxonomy encourages the implementation of energy management systems (EnMS), whether these EnMS are formally certified as compliant with ISO 50001 or recognised by a third party as being in line with them, or an equivalent standard which may be introduced in time.

Having an ISO 50001-compliant EnMS is only one measure of energy management uptake and does not provide a complete assessment of industry energy management activities.

Many businesses assert that they have an effective energy management approach in place, despite it not being certified to the ISO standard.

We therefore recommend that the wording is made more general, to recognise businesses that have implemented energy management systems that follow the structure and intent of ISO 50001 but are not formally compliant with that standard. For example, the Victorian government has suggested it will include implementation of an energy management system as an exemption for large energy users under the VEU program. What form this energy management system must take (ie, whether ISO 50001 certification will be required) is still to be clarified.

2) Amend the fourth dot point to read: 'Installation of electric motors – motor efficiency must meet European standards (as updated).'

The EEC supports the reference to European standards which apply efficiency ratings to a wider scope of motors than Australian standards. Another benefit of the European standards is that they also clearly define the individual efficiency rating required depending on the size of the load, mandating the higher efficiency level of IE4 for the most commonly used size of motor. The recommended changes made are to remove specific references to the levels in the European standards, which will change over time.

Electricity Generation and Supply

Q20. Please provide any further feedback on specific activities here and provide evidence to support any recommendations.

Include demand flexibility

The EEC recommends that demand flexibility is also included as an activity within the taxonomy as it provides a form of electricity (capacity) supply. The importance of demand flexibility (sometimes also called demand response) in reducing peak demand is recognised in the [AEMO 2024 ISP](#) (captured as “consumer energy resources” and “demand-side participation”) and globally the [IEA’s Net Zero by 2050 Scenario](#) has 500 GW of demand response brought onto the market by 2030.

Demand flexibility plays a crucial role in a successful transition to a net zero grid. The ability to shift or shed electricity demand to match an increasingly variable energy supply from renewables can enhance the reliability of the grid and reduce the need for building new supply and storage assets.

The EEC recommends that demand flexibility be included in the taxonomy and would be happy to connect ASFI with our members to discuss how it could be incorporated.

Include reference to F-gas free switchgear

Fluorinated greenhouse gases (F-gases) such as sulphur hexafluoride (SF6) make a significant contribution to global warming and are commonly used in switchgears across the electricity system, as both an insulator and circuit breaker. Unfortunately, SF6 is one of the most potent greenhouse gases, with a global warming potential (GWP) of 22,800¹, which is 23,500 times more effective at trapping infrared radiation than an equivalent amount of CO2².

The environmental impact of F-gases has led to increased regulatory scrutiny internationally. In the EU³ the use of F-gases in switchgear will be phased out, with a complete ban on their use in new medium voltage equipment coming into effect on 1 January 2026 (up to 24kV).

¹ [IPCC Global Warming Potential Values](#) and [DCCCEW](#)

² [US Environmental Protection Agency](#)

³ [EU Regulation \(EU\) 2024/573](#)

Once the electricity grid reaches 100% renewables penetration (or close to), generation, distribution and transmission infrastructure using switchgears with F-gases will remain a significant source of highly potent GHGs, which should be phased out given the availability of alternative technologies today. The EEC therefore recommends that the taxonomy promotes the use of F-gas free switchgear and would be happy to connect ASFI with our members who manufacture switchgear to discuss how, and when F-gas free switchgear could be incorporated into the taxonomy.

Construction and Buildings

Q23. Please provide any further feedback on specific activities here and provide evidence to support any recommendations.

Taxonomy and the NCC

The EEC supports the Taxonomy being more ambitious than the minimum energy efficiency requirements of the NCC and aligned to the climate alignment principles adopted in the screening criteria of taxonomies in other jurisdictions, such as the EU, as outlined in Section B “*Demonstrating climate alignment*” (pg 93).

Transition criteria

The EEC recommends that the Taxonomy weigh up the usefulness of transition criteria with the additional complexity that it adds for users to understand the taxonomy, as well as the delay in potential emissions reduction. As stated in Section B “*Sunset date*” and Table 14 (pg. 94), the results of the case study show that for each year of missed end-of-life electrification, the sector’s annual greenhouse gas emissions will increase by ten percent. As made evident by the case study, delays in decarbonising the built environment have the potential to compromise the ability to meet the target of limiting temperatures to a 1.5°C increase. It is important that transition criteria do not result in buildings using fossil gas receiving green finance, nor delay electrification in the built environment, given technologies are available to retrofit existing buildings today.

Additionally, the EEC supports a clear and easy to understand taxonomy for it to be widely used and inclusion of transition criteria and a sunset date may contribute to overcomplication. The EEC recommends that the transition criteria be removed or only remain for specific cases where gas is very difficult to abate. If the sunset date must be included, the EEC supports not extending this date any further as highlighted in the consultation paper.

Embodied emissions

The EEC supports the use of a standard tool for measuring embodied emissions and agrees that the sunrise date should be deferred if suitable national measurement methods, reporting requirements, assessment methods and benchmarking data are unavailable (pg 96).

Refrigerant GWP thresholds

The EEC notes that industry is working towards phasing down the use of HFCs by 85% by 2036, in line with the Montreal Protocol (the Kigali Amendment). The thresholds set out in Appendix 4 appear ambitious, at least for some equipment types, meaning building owners who installed such equipment would be moving faster than the market average that industry expects will occur under the Montreal Protocol. This is consistent with the intent of the taxonomy: to reward building owners who go beyond regulated minimum requirements. The EEC notes that the drafting note in Appendix 4 suggests thresholds for some equipment are yet to be finalised and we would be happy to connect ASFI with our members to discuss this further to ensure that the final thresholds are both ambitious and feasible (i.e., that equipment meeting the thresholds is available for early movers to adopt).

Rooftop solar

The EEC is supportive of removal of rooftop solar measures from new construction, acquisition and ownership and renovation TSC (pg 92). The EEC also would like to reiterate that rooftop solar should not be considered a pre-requisite for green screening criteria, as there are other priorities that could be implemented before solar on buildings, particularly improved thermal performance and fuel switching from gas to electricity.



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