

Australian Accounting Standards Board
Delivered electronically



1 March 2024

Dear Sir/Madam,

Re: AASB climate related financial disclosure standards exposure draft

The Energy Efficiency Council (EEC) welcomes the opportunity to make a submission to the Government's consultation on the Australian Accounting Standards Board's consultation on its proposed Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information. The EEC is Australia's peak body for energy management, electrification and decarbonisation.

The EEC welcomes the advent of climate-related disclosure in Australia and views it as an integral tool to help companies and other entities decarbonise their operations.

The EEC believes that CRFD should be designed incorporating the following attributes:

- Internationally aligned as far as possible
- Developed with a view to support early and genuine decarbonisation
- Supporting the interests of financial markets, but also the interests of stakeholders beyond financial markets including governments and the community
- Harnessing a 'report/collect once, multiple use' approach

The EEC has made comment on previous consultations about the policy intent of climate-related financial disclosure (CRFD) and is not best placed to make extensive technical comments regarding the proposed ASRS.

However, there are several matters that we believe should be considered in the finalisation of the standard.

1. Transition planning disclosure should form a mandatory requirement of CRFD.

Transition planning is the most critical tool to managing the transition risks a business faces in the transition to a net zero economy. At present, the proposed standard requires disclosure of a company's transition plan if it exists. While this may be an acceptable transitional measure, the ultimate policy intent of the CRFD regime is not adequately served if companies do not have a transition plan. The EEC suggests that by 2027, the sustainability standard requires that a company's transition plan is disclosed, and gives guidance about the minimum standards a transition plan must meet.

Presently, the SR1 standard gives little guidance about the contents of a transition plan. The EEC suggests that the guidance provided by the UK Transition Plan Taskforce should form the basis of transition plans made under the ASRS.

2. CRFD and NGERS must ultimately be aligned

The National Greenhouse and Energy Reporting Scheme currently does the heavy lifting of Australia's emissions reporting, and plays an important role in supporting emissions reduction policy. However, there is little value in having two separate sets of requirements for emissions reporting, so it is important that NGERS and CRFD requirements converge as soon as possible. This is ultimately a matter that will require changes to the NGERS scheme, but the ASRS should consider measures to make reporting across both NGERS and the ASRS consistent.

3. Capability building among auditors

Auditing of climate-related financial disclosures will require a differentiated set of skills, as the physical and transition risks posed by climate change are risks that may have financial consequence, but have origins in other discipline areas including science, engineering, and broader economics. The EEC is concerned that auditors that lack knowledge in these areas may not be able to provide adequate assurance that companies have fully assessed their climate risks, and that their measures for mitigating those risks are practical, proportionate and implementable.

While it is not necessary for auditors to become expert climate advisors – a specialised field in itself – ensuring auditors have a good baseline of knowledge in this area will be important. The EEC is one of a number of organisations that has significant experience in building professional capability among energy and carbon advisors. The EEC would be pleased to assist the AASB to ensure CRFD auditors are appropriately skilled to assess the unique risks posed by climate change.

Please do not hesitate to contact Alex St John at alex.stjohn@eec.org.au or for further information.

Yours sincerely

Rachael Wilkinson
Acting Head of Policy
Energy Efficiency Council