



Climate-related Transition Planning Guidance

Consultation paper

Energy Efficiency Council submission

September 2025



About the EEC

The EEC is a membership association for organisations working to harness the power of efficiency, electrification and energy flexibility to deliver a prosperous, net-zero future.

Our mission is to catalyse action from government and industry that delivers:

- Efficient, electric homes;
- Productive, net-zero businesses; and
- An optimised energy system powered by renewable energy.

We work with our members, governments and other experts to accelerate the deployment of efficient, electric and flexible products and services.

We deliver practical change by building the evidence base, making the case, informing policy, supporting skill and literacy, and shaping market outcomes.

Introduction

Dear Green Bonds and Transition Guidance Unit,

The EEC welcomes the opportunity to respond to the consultation paper on Treasury's proposed draft Climate-related Transition Planning Guidance (the Guidance).

The EEC welcomes Treasury's draft Guidance. Supporting transition planning is key to helping Australian businesses manage their emissions and make the transition to thriving a net zero economy. Without understanding their climate risk and laying out an actionable plan to achieve net zero emissions, Australian companies risk losing competitive advantage in the clean energy future.

As stated in the consultation paper, "credible and robust transition plans can support a wide range of potential users who may rely on them to guide investment and lending decisions, and understand economy-wide transition levers and pathways." As an expanding number of businesses are making commitments to achieve, or make progress towards, net zero emissions, quality transition plan reporting ensures that the corporate sector remains accountable to capital markets, supply chains and citizens about their contribution to economy-wide efforts to achieve net zero.

There are a multitude of benefits that accrue through the creation and disclosure of transition plans to a range of stakeholders including investors, supply chains, government and the community at large. However, the greatest single benefit of transition planning, is to drive attention and engagement within companies and corporate governance structures towards their climate risks and the plans to address and ameliorate those risks. This internal engagement is likely to be a substantial driver of action to reduce emissions in Australia as companies seek to reduce and manage their exposure to climate risks.

Treasury has an opportunity to encourage best-practice corporate transition planning in the Australian context by setting out international best practice and highlighting the link with climate-related financial disclosure (CRFD) requirements and the Sustainable Finance Taxonomy.

The Guidance must support companies with practical, operational guidance and steer end-users through the overwhelming number of frameworks, policies and processes related to transition planning. Australian businesses have many pressures on their time and compliance measures to meet, including the CRFD requirements which are being phased in and transition planning must be seen as a key strategic process for business success in order to drive action.

The EEC strongly advocates for the Commonwealth Government to create a Transition Planning Grant to support businesses to create credible transition plans. The Guidance should therefore be prescriptive on how to create a credible transition plan and establish a robust and widely applicable structure for such plans.

The EEC recommends that the Guidance could be used as the foundation to establish a more fulsome document for use in the Australian context. This could be created through a collaborative, multi-stage process led by a suitable independent organisation and the Commonwealth Government. This would be similar to the creation of the Sustainable Finance Taxonomy, but as the subject matter is less complex and can leverage existing literature and templates, it could be completed in a compressed timetable.

End-users and their advisors would then have a clear standard to work towards when creating transition plans. The steps laid out in transition plans could serve as criteria for government or other parties providing support for energy upgrade projects through grants, either from an existing entity like ARENA or a standalone program or through discounted loans through the CEFC for project delivery.

Summary of overarching recommendations

- a) Clearly articulate the benefits of transition planning to end-users.
- b) Detail the overlap and alignment between transition planning and CRFD requirements.
- c) Provide practical, operational guidance for end-users.

The EEC has been an active participant in conversations through our engagement with the Transition Planning Working Group convened by Climateworks Centre and the EEC. The group brings together a range of representatives across a range of industries with a common purpose to support credible transition plans. We welcome the opportunity, through this forum, to engage with Treasury to assist with the next stages of development of the Guidance.

For further information about anything in this submission, please don't hesitate to contact me via email at jeremy.sung@eec.org.au.

The EEC looks forward to continuing to work closely with you on this important guidance.

Yours faithfully,

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, likely representing the name Jeremy Sung.

Jeremy Sung

Head of Policy,
Energy Efficiency Council

EEC Recommendations

Recommendation 1: Clearly articulate the benefits of transition planning to end-users

CRFD is an important part of ensuring that financial markets are informed about the potential impacts of climate change on investments, and an important tool to drive corporate attention to managing those risks. However, development of a credible transition plan is an essential tool for understanding not only how a business will manage risks but also understanding how it will operate through and after the transition to a net zero economy. Development of transition plans will also help businesses identify - and address - immediate opportunities for decarbonisation, catalysing accelerated emissions reduction.

Most businesses do not have the existing internal capability to develop and maintain a transition plan. Australian businesses subject to the National Greenhouse and Energy Reporting Scheme have the benefit of familiarity with emissions reporting, and larger companies may already be engaging with a range of voluntary or mandatory ESG and climate risk reporting.

While such exercises provide a helpful grounding, developing a transition plan is a distinct exercise. For most businesses, developing their first transition plan will involve engaging with the broad range of transition issues facing their specific business for the first time. The benefits of this process are significant; robust plans can improve strategy and management of transition issues throughout business operations, improve appreciation of climate risks and opportunities and support the development of more grounded emissions reduction plans.

The Guidance makes it clear that the preparation and publication of transition plans are not mandated under the CRFD regime but notes that it is a requirement to disclose information about any transition plans which have been prepared. Feedback from EEC members that support businesses on CRFD and transition planning indicates that the detail of these regulations – making a transition plan voluntary but also making it a requirement to disclose information about a transition plan if you have one – is having the perverse outcome of *discouraging* businesses to develop transition plans. Businesses are choosing not to engage with transition planning to avoid creating more material that would be required to be disclosed to the market.

Future revisions to the CRFD legislation should either make the development of a basic transition plan mandatory – given its benefits, this is the EEC's longstanding position – or ensure that a window is provided – for example three years – in which initial transition plans do not need to be disclosed.

This will allow businesses to develop a level of comfort with the transition planning process before they need to ‘show their homework’.

In the meantime, it will be important for Government to promote the development of transition plans as ‘best practice’ as part of a company’s broader approach to CRFD. This helps set expectations from investors and other stakeholders which can incentivise businesses to develop a transition plan.

Consideration should also be given to providing grants for businesses captured by CRFD to develop a transition plan. Given the current regulatory settings, the availability of such support would considerably raise the likelihood of transition plans being developed. This in turn would accelerate the development of capability within businesses and the quality of disclosures overall.

Recommendation 2: Detail the overlap and alignment between transition planning and CRFD requirements

Many large companies are currently focused on meeting the new CRFD requirements and smaller companies will soon be covered by these provisions. Clearly setting out where mandatory disclosure overlaps with matters covered in transition plans could highlight to companies how transition planning can support CRFD requirements. Providing cross referencing between the International Financial Reporting Standards Foundation’s Transition Planning Taskforce Disclosure Framework (IFRS TPT Disclosure Framework) and CRFD requirements would help preparers streamline reporting and avoid duplication.

The current draft of the Guidance does not set out this alignment, despite the Guidance indicating that the “guidance includes non-exhaustive references to relevant sections of AASB S2.”

Recommendation 3: Provide practical, operational guidance for end-users

As noted above, developing, operationalising and iterating a transition plan will be a novel experience for most businesses, and will require a significant amount of capability building. In that context the more practical guidance the Guidance can provide, the better.

The Guidance references the IFRS TPT Disclosure Framework, and the EEC supports endorsing this framework as a best-practice *disclosure framework*.

The EEC recommends that the Guidance provides more operational guidance for transition planning as well as providing information on disclosure expectations. The Guidance should set out more practical steps on how businesses can build a credible transition plan. This should include how a transition plan interacts with CRFD requirements and where an actionable net zero plan fits in. More clarity should be provided for end-users to explain the distinction between a net zero plan and a

transition plan and how they fit together - a net zero plan is a crucial part of a transition plan, but a transition plan goes beyond just emissions reduction and ensures the business is financially and operationally prepared for the shift to a low-carbon economy.

The Guidance includes limited information on 'Decarbonisation' in section 2.1, but more guidance is needed to support businesses create an actionable plan that leads to a reduction in emissions.

The Guidance should also set out in more detail how a net zero plan fits into the transition planning cycle, through setting net zero goals, identifying and implementing decarbonisation projects, and reporting on progress through voluntary disclosure or through CRFD requirements. [The TPT Transition Planning Cycle](#) document does provide a good overview of this process, but as set out above, the EEC recommends that a more fulsome Guidance document should set out how this process should work in an Australian context.

Responses to specific Consultation questions

1. Do you support transition plan preparers being the target audience for using the guidance?

Yes. Transition planning requirements are difficult for businesses to navigate with a multitude of guides, frameworks and standards available. A clear practical guide setting out best practice for transition planning in the Australian context would be a valuable resource for businesses.

2. Do you have feedback on the proposed design principles that underpin the draft guidance?

The EEC broadly supports the design principles outlined in the Guidance but would recommend that they are refined where necessary and that the role of the principles is clarified. The principles could apply to the Guidance and/or transition planning itself which could lead to confusion for end-users.

In relation to the principles themselves, the EEC has the following comments:

1) Internationally aligned

The EEC strongly supports alignment with international best-practice and the endorsement of the IFRS TPT Disclosure Framework. However, the Guidance must follow this principle and provide clear advice on what constitutes international best practice throughout. Also, while endorsing the IFRS TPT Disclosure Framework is helpful, the EEC notes that international alignment should apply to the transition planning process itself, not just transition plan disclosure.

2) Supports domestic decarbonisation and adaptation

The Guidance should support Australian companies decarbonise by following international best-practice which is tailored to the Australian context. As phrased, this principle could be misunderstood to refer to only apply to the Australian impacts of Australian entities. Climate and nature-related issues are global, and the Guidance should not encourage companies to focus only on domestic matters. The EEC recommends the principle is amended to refer to 'supporting decarbonisation in the Australian context'.

3) Balances ambition and flexibility

The EEC supports the principle that the Guidance should allow companies to be flexible in their transition planning approach as companies will be at different points of their transition planning development. However, the Guidance should set out international best practice in relation to transition planning alongside practical support for companies that are not yet ready to apply best practice. Also, as the Guidance intends to 'to achieve this principle by helping to establish a clear and common understanding of good practices for transition

planning', the wording should be amended to refer to 'best practice', rather than 'ambition' which could lead end-users to believe that targets are being referred to.

4) Climate first but not only

The EEC supports the Guidance focussing on climate. The Guidance should however set out that best practice is to address climate, nature and social considerations concurrently.

3) Are there other principles or considerations the guidance should prioritise and why?

No.

4) If you are an end user of transition plan disclosures, are there additional considerations you would like to see included?

The EEC is not an end user of transition plan disclosures but as the Guidance and transition planning are closely related to CRFD requirements, assurance standards and ASIC oversight, particularly in relation to greenwashing, the EEC recommends that Guidance should clearly set out its legal status.

As set out in Recommendation 2 the Guidance should clearly detail the overlap and alignment between transition planning and CRFD requirements and Treasury should work with ASIC to provide complementary guidance on how adherence to the Guidance may support compliance with legal obligations in relation to CRFD, forward-looking statements and other sustainability disclosures.

5) Do you intend to use the International Financial Reporting Standards Foundation's Transition Plan Taskforce (IFRS TPT) disclosure framework to either develop your organisation's transition planning or for investment and lending decisions? What other alternative frameworks do you intend to use?

The EEC is not a preparer of transition plans but supports the use of the IFRS TPT disclosure framework.

6) Are there areas where you think the guidance should be more prescriptive and/or are there areas where you think it should be more flexible and why?

Yes, the EEC recommends that Treasury take this opportunity to clearly communicate international best practices and provide practical support to businesses. This Guidance should expand each section to provide operational advice as set out in Recommendation 3. This would include more practical guidance in the following areas, amongst others:

a) *Section 1.1: Mitigation and adaptation strategic ambitions* should note that current international best practice is alignment with limiting global warming to 1.5°C. By detailing best practice, businesses will be aware of the standard they can work towards. This is particularly important for international businesses which are dependent on global investment or supply chains as alignment with 1.5°C is mandatory in some jurisdictions, such as the European Union.

b) *Section 2.1 Decarbonisation* should provide more operational guidance on how a net zero action plan fits within the overall transition plan, and what factors should be considered to create a pathway to net zero. See Recommendation 3 for more information.

c) *Section 2.4 Considering taxonomy use and alignment* should provide more guidance on how the Sustainable Finance Taxonomy can be used in practice. The EEC supports the inclusion of the Sustainable Finance Taxonomy as a valuable tool for businesses creating transition plans. A detailed explanation, and practical examples, of how its use can encourage investment by providing greater clarity to investors would promote its use across the economy.

d) *Section 4.1 Setting and expressing targets* should clearly set out international expectations and CRFD requirements for target setting. This includes noting that:

- best-practice emission reduction targets are absolute emissions targets, while supporting the use of intensity-based targets as a useful additional metric.
- some standards such as the Science Based Targets initiative (SBTi) use intensity-based targets and metrics for certain sectors.
- best-practice emission reduction targets for companies cover all material scope 1, 2 and 3 emissions.
- CRFD requires a business to disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tonnes of CO₂ equivalent for Scope 1 greenhouse gas emissions, Scope 2 greenhouse gas emissions and Scope 3 greenhouse gas emissions.
- CRFD requires a business to use the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) to measure GHG emissions but permits an entity to apply a different method when required to do so by a jurisdictional authority or an exchange on which the entity is listed, as does the IFRS TPT Disclosure Framework.
- In the case of net zero targets, a business may refer to the guidance provided by the Science Based Targets initiative (SBTi) and may choose to have targets independently verified by the SBTi.

e) *Section 4.2 Use of carbon credits and renewable energy certificates* should be expanded. The guidance should also note that some standards only allow offsets to be used for residual emissions and that many frameworks require the separate accounting of offsets. CFRD requirements around offsets should also be expressly set out.

7) Do you see a need for further sector-specific guidance? If so, what additional advice would you consider beneficial and where do you see a role for government?

Many companies are seeking clarity on which pathways are appropriate and how to apply them. The six sectoral emissions reduction plans, supporting the Net Zero Plan, provides some contextual information, as does the Sectoral Pathway Review (CCA 2024). However, none of these documents are targeted at end user businesses, nor are they oriented towards actionable advice that support the development of a transition plan. Sector-specific guides that augment the cross-cutting information provided in the Guidance would be very valuable, either delivered directly by the Government or by the Government in partnership with a credible third party.

8) Please provide any additional feedback from a transition plan preparer, user or broader stakeholder perspective on the direction and design of the guidance.

Please see responses above.

Specific feedback on the Draft Transition Planning Guidance

9) When providing feedback on the draft guidance, please consider: Are there areas that could be improved to make the guidance more useful?

a) Is the level of proposed detail sufficient? If not, what additional advice or detail would you like to see provided in the guidance and in which sections and why?

Please see responses above.

b) Would further use of case studies or examples be of assistance in the guidance? If so, feedback is welcomed on potential case studies or examples.

Yes, case studies would be helpful.

c) Are you aware of other relevant material that should be included in Appendix A and why?

No comment at this time.



Energy Efficiency Council

Level 18, 1 Nicholson Street,
East Melbourne 3002
Victoria, Australia

eec.org.au