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Corporations Branch
Market Conduct Division
Treasury
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Submitted by email to climatereportingconsultation@treasury.gov.au

Climate-related financial disclosure Consultation paper

Snowy Hydro Limited welcomes the opportunity to comment on the Australian Government Treasury Climate-related financial disclosure Consultation paper.

The considerations detailed in the consultation paper are necessary to achieve the changes to Australia's financial reporting and to keep pace with the expansion of international standard-setting priorities on climate and sustainability reporting. Snowy Hydro supports the Treasury's six key principles in designing new requirements which include supporting climate goals, improving information flows, well-understood, internationally aligned, scalable and flexible and proportional to risk.

With any new standardised requirements Snowy Hydro submits that they should be as flexible as possible, without undermining the effectiveness of policy. Participants for example should be allowed to decide whether to include climate reporting requirements in an operating or financial review. There should be as much consistency with other local climate related reporting requirements to minimise the amount of change required. The appropriate level of assurance for climate-related financial disclosures however will vary depending on the disclosure and on the time frame over which the disclosure applies.

Australia will need efficient data collection infrastructure put in place (including a standardised digital reporting platform) which will require time and sequencing over a transition period. The current availability and reliability of data and methodologies could present challenges.

The suitable level of uncertainty in climate scenarios will depend on the climate variable and the exposure /sensitivity of the given entity to that climate variable. For instance, precipitation in climate scenarios is highly uncertain with high variability between different climate models. There currently isn't a multi-year forecasting capability for climate patterns like El Niño–Southern Oscillation (ENSO). Hydro generation can be exposed to higher levels of climate uncertainty than other organisations with sensitivity to e.g. temperature or sea level rise which have higher confidence predictions. It is therefore important that the degrees of measurement complexity and inherent uncertainty in disclosures that may need to be accommodated.

There is a case for the government to develop a public repository of climate scenarios (drawing on the existing work of domestic and international institutions). This would lower the cost for entities using these scenarios as inputs to their climate

reports and enable greater comparability for investors using the climate reports. However, flexibility also needs to be provided for the entity to use other relevant, credible scientific information. For instance, if the entity has undertaken a body of scientific work using specific downscaled or calibrated climate scenarios for their specific business operations.

With any changes that are made there is a cost of implementing these standards which could impact business data collection systems that need to be built. We do note that most large organisations and listed entities would already meet the Task Force on Climate-Related Financial Disclosures (TCFD) framework so the work involved to meet the TCFD-aligned Australian Govt standards may not be as significant. If there are concerns then other regulatory reporting reforms such as OTC Derivatives transaction reporting or the Consumer Data Right could be used to guide on any impacts.

There could be additional professional services fees that will be incurred for the preparation of assurance reports as well as internal costs for the preparation of statements. One suggestion could be that instead of annual auditing on climate disclosure, which could be onerous if prescribed, there could be a proposed two or five yearly audit.

About the Snowy Hydro Group

Snowy Hydro Limited is a producer, supplier, trader and retailer of energy in the National Electricity Market (NEM) and a leading provider of risk management financial hedge contracts. We are an integrated energy company with more than 5,500 megawatts (MW) of generating capacity. We are one of Australia's largest renewable generators, the third largest generator by capacity and the fourth largest retailer in the NEM through our award-winning retail energy companies - Red Energy and Lumo Energy. Collectively, they retail gas and electricity in South Australia, Victoria, New South Wales, Queensland and the ACT to over 1 million customers.

Snowy Hydro appreciates the opportunity to respond to the Australian Energy Market Operator (AEMO) 2023 Inputs Assumptions and Scenarios Consultation. Any questions about this submission should be addressed to

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Yours sincerely,

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Head of Wholesale Regulation
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