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Climate-related financial disclosure: exposure draft legislation

Alinta Energy welcomes the opportunity to provide feedback on selected sections of the exposure draft of the Treasury Laws Amendment Bill 2024: Climate-related financial disclosure.

Alinta Energy is an active investor in energy markets across Australia with an owned and contracted generation portfolio of over 3,300MW and more than one million electricity and gas customers. As a Group 1 entity under the Amendment Bill, Alinta Energy has a strong interest in ensuring the development of an Australian climate-related financial disclosure framework that aligns with international best practice.

Key points:

- **Alinta Energy recommends the Government amend the legislation to set a 1 January 2025 commencement date for Group 1 entities.**
- **Alinta Energy recommends in addition to the reporting as per the NGER Act allowed under the amendment bill (operational control), the reporting entity be permitted to opt-in to reporting emissions based on 'boundary of ownership' (financial control or equity share) as dictated by the accounting standards and the GHG Protocol.**

Phased commencement

Alinta Energy recommends the Government amend the legislation to set a 1 January 2025 commencement date for Group 1 entities. Delayed commencement will ensure that entities have time to establish robust processes and to procure resources required for quality reporting to comply with the legislation.

The Treasury's *'Policy Impact Analysis'* found that the additional reporting burden is a significant cost impost (up to \$1.3 million per year per entity) that will ultimately be passed onto consumers. Modifying the commencement date will incentivise entities to establish more efficient implementation processes and keep costs to a minimum.

Alinta Energy also recommends that the commencement date for the modified liability provisions be amended in line with the amended date for commencement of legislation.

Organisational boundary for emissions

The Amendment Bill provides that where accounting standards require an entity (the group head) to prepare financial statements in relation to a consolidated entity, the group head can elect to prepare a sustainability report on the same consolidated basis: in this case, the sustainability report must be prepared as if the consolidated entity is a single entity.

The *Exposure Draft ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information* (EDSR1) suggests that consolidated reporting is mandatory: it requires that climate-related financial disclosures are made for the same reporting entity as the related financial statements (page 21). EDSR1 then provides guidance on how scope 1 and 2 emissions are to be disaggregated between the consolidated accounting group (i.e. the parent group and its consolidated subsidiaries), and other investees.

Alinta Energy recommends in addition to the reporting as per the NGER Act allowed under the amendment bill (operational control), the reporting entity be permitted to opt-in to reporting emissions based on ‘boundary of ownership’ (financial control or equity share) as dictated by the accounting standards and the GHG Protocol.

Clarifying the obligations of directors in respect of the directors’ declaration

Under the Amendment Bill, climate-related financial disclosures will sit within a sustainability report, which will be a part of annual financial reporting obligations and be contained in an entity’s annual report which includes directors’ declaration.

A directors’ declaration is their best-informed opinion on whether statements made in the report are in accordance with the Corporations Act. Therefore, the standard expected of directors when signing off climate-related disclosures in sustainability reports needs to be clearly articulated.

The Amendment Bill proposes an auditing regime that requires assurance of Scope 1 and 2 emissions disclosures from the years commencing 1 July 2024 onwards, and assurance of all climate disclosures made from the years commencing 1 July 2030 onwards.

There is an absence of clear and detailed guidance available for data collection and the inherent emissions data quality issues, particularly those associated with scope 3 emissions. Treasury must consider the requirements for a directors’ declaration in this context when finalising the Amendment Bill.

Alinta Energy suggests the Amendment Bill allows directors’ declaration to include a statement (where required) that information has been prepared in good faith and on a best

endeavours basis, subject to the uncertainties, judgments and assumptions set out in the report.

Section 296A(3)

The Amendment Bill empowers the Minister to (by legislative instrument) require a sustainability report to include statements relating to 'matters concerning environmental sustainability' and make legislative instruments specifying the requirements of these statements.

As noted above, Treasury identified the additional reporting burden carries a significant cost impost and changes to increase (or decrease) reporting obligations occur through a thorough consultative process such as this one.

Alinta Energy considers it inappropriate that the Minister have such wide-ranging unilateral powers to increase reporting obligations. Any such changes should only proceed following a comprehensive public consultation process and should be subject to parliamentary processes.

Thank you for your consideration of our submission. If you would like to discuss this further, please contact Karan Sharma at karan.sharma@alintaenergy.com.au.

Yours sincerely



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