

**To: Commonwealth Treasury**

**Re: Sustainable Finance Strategy Consultation paper**

**1 December 2023**

## **Introduction**

AMEC appreciates the opportunity to provide a submission to the Commonwealth Treasury regarding the Sustainable Finance Strategy Consultation paper (the paper).

## **About AMEC**

The Association of Mining and Exploration Companies (AMEC) is a national industry association representing over 560 member companies across Australia. Our members are mineral explorers, emerging miners, producers, and a wide range of businesses working in and for the industry. Collectively, AMEC's member companies account for over \$100 billion of the mineral exploration and mining sector's capital value.

Mineral exploration and mining make a critical contribution to Australia's economy, directly employing over 274,000 people. In 2021/22 Industry generated a record high \$413 billion in resources exports, invested \$3.86 billion in exploration expenditure to discover the mines of the future, and collectively paid over \$63 billion in royalties and taxes.

Australian mining provides all of the minerals that are critical for a transition to net zero. Without mining, reducing carbon emissions and maintaining Australia's living standards is extremely challenging.

## **AMEC Climate Change position**

The Association of Mining and Exploration Companies (AMEC) is committed to action: to support our members as they work to achieve net zero emissions.

The environmental, financial, regulatory, and transitional consequences of climate change are real and will reshape the Australian mining and mineral exploration sector.

An integrated, orderly, phased transition to a low carbon Australian economy aligned to the national commitments made under the United Nations Framework Convention on Climate Change (UNFCCC) will benefit all and future Australians.

The contribution of Australia's mining and mineral exploration extends beyond supplying the minerals and materials that will enable low emissions and abatement technology.

Achieving net zero emissions in our sector will require innovation, new technologies and a deep-seated commitment to drive change.

AMEC considers Australia needs to:

- Honour our commitment to achieve net zero emissions by 2050;
- Create a single nationally consistent, certain, and transparent climate change response;
- Implement these commitments across each sector of the economy and Government equitably;
- Support the development and deployment of low emissions and abatement technologies with a focus on outcomes rather than fuel or technology type;
- Reward innovation and Greenhouse Gas abatement that surpass regulated levels; and
- Enact policy that does not significantly disadvantage new entrants in comparison with established companies.

Australia's commitment should not disadvantage trade exposed industries and their workers in comparison to international competitors or result in carbon leakage.

Climate Change and Industry's response to it is evolving. Over the last several years the ambitions, targets, and action on emission reduction among member companies has rapidly accelerated.

Government and Industry need to work together to put Australia at the forefront of global action.

## The paper

### General Comments

The paper is attempting to achieve several outcomes simultaneously: drive greater transparency; increase market supervision; and create new financial instruments. Each are distinct and should be handled separately in the future.

The Key principles on page 7 of the paper lists a variety of challenges. The principle of "*careful staging and sequencing*" must have priority. Clarifying what is being measured must be the second consideration, before all others.

A concern for AMEC is that our own consultation suggests: the wider Industry is not aware of the Government's aspirations for measuring sustainable finance, there is a fundamental lack of data, Australia is amongst the first movers globally, and there is insufficient capacity in the Australian workforce to deliver the desired outcomes. While none of these challenges are insurmountable, it is important they are acknowledged from the outset.

Industry has noted the lack of non-financial industry input in the development of the taxonomy. While the Australian Sustainable Finance institute is well placed to develop the taxonomy technically, the content should be considered by experts from manufacturing, mining and heavy industry to parse the practicalities of its implementation.

### Specific Questions

#### Pillar 1: Improve transparency on climate and sustainability

##### **Establish a framework for sustainability related financial disclosures.**

The first step must be to identify what is being measured as a climate disclosure before identifying what skills needs to be developed. Pruning the many disclosures to a short list of quantitative and standardised measures would be beneficial for Australia in the long term. Largely the market is already determining what will be measured and how.

Industry, and primarily accounting consultancies are moving toward providing services to meet the various international standards, including the Taskforce for Nature Disclosures. A pertinent question that must be asked is: what market failure is the Government trying to fix? Internationally the finance markets are moving to rapidly adopting criteria to measure climate and sustainability. Australia risks being out of step if they lead too aggressively with defining standards.

Industry feedback has noted that this is, in essence, a data management project. The Commonwealth Government should work to provide a platform, clear definitions and expectations of the climate and sustainability data. There is a Government role to provide a central repository that handles the collection, cleansing, transformation, and ultimately application of data.

The Government also has a role in educating the wider public, and Industry, of what it is expecting and how it will meet those expectations. AMEC's consultation with Industry clearly underlined that the majority of Industry is not cognisant of these reforms nor of their long term ramifications.

### **Developing a Sustainable Finance taxonomy**

The staged development of a sustainable finance taxonomy is supported by AMEC. We ask that the Treasury deliberately include multiple heavy industry (and mining) representatives in a stakeholder group to provide direct feedback to the development process. The differences between theory and application, and the consequential impacts of taxonomic misapplication could lead to long term unintended consequences. Nearly all companies that are within the National Greenhouse Emissions Reduction Scheme have engaged specialists, and are developing inhouse skills, regarding the measurement of carbon emissions and sustainable finance. Tapping those skills will be beneficial to development.

While it is anticipated, confirmation that the consultation on the taxonomy will be public, and with sufficient timeframes to comment, would be welcome.

### **Support credible net zero transition planning**

It is unclear what the 'gold standard' the Paper refers to. There is a substantial concern that the Commonwealth Government risk creating administrative burden, greater reporting requirements and costs of doing business that are ultimately inefficient, poorly targeted and do not fulfill objectives.

A credible net zero transition plan is built firmly on relevant and reliable datasets. Pursuit of clearly identified targets with well established metrics.

The Commonwealth Government should consider what incentives could be provided to drive investment and a faster transition. It is widely held that private enterprise can achieve many outcomes faster than Government entities. Creating the necessary framework, and inducement, could harness the Industry's drive to reduce carbon emissions. Ultimately targeted application of tax and financial incentives are the most likely to shift the economics of investing in net zero emissions forward.

## **Pillar 2: Financial system capabilities**

AMEC has limited comment to make regarding the Financial System capabilities. As highlighted above, there is a need for greater awareness in the market of expectations and proposed actions in

the area of sustainable finance. AMEC notes that internationally there has been a market led consolidation of ESG ratings, such as the Taskforce for Climate related Financial Disclosures with the ISSB Accounting Standards<sup>1</sup>. It may be premature for the Australian Government to dictate what ESG Standards should be followed. AMEC's members, many who are seeking finance to develop mining assets report that they select the ESG standards they report against so as to satisfy what their financier wants.

### **Pillar 3: Australian Government leadership and engagement**

The Commonwealth Government has a clear role identifying a sustainable finance taxonomy and establishing a neutral repository for information. The Commonwealth Government can support the decarbonisation of the Australian economy by reducing the carbon emissions of the electrical and transportation networks. Working with the "hard to abate" sectors will be crucial.

The global context of climate change emissions must also be remembered. If a project is developed internationally, it is highly unlikely the project will adhere to similar rigorous environmental standards as Australia's world leading regulation.

While Australia should be a leader in addressing global climate change, there needs to be careful consideration of the economic impact and high cost burden of being the outright leader.

### **Final comments**

As detailed above, the consideration of this Strategy is too wide. Segmentation into three distinct documents, based on the pillars would be more appropriate. The lack of industry knowledge of the proposed reforms is, and should be, a concern for Government.

We look forward to future consultation on these important topics.

### **For further information please contact:**

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<sup>1</sup> <https://www.reuters.com/sustainability/sustainable-finance-reporting/esg-watch-investors-hail-end-alphabet-soup-sustainability-disclosure-with-new-2023-07-31/>