



# **NATIONAL AUSTRALIA BANK SUBMISSION**

Sustainable Finance Strategy

1 December 2023

## Introduction

National Australia Bank (**NAB**) welcomes the opportunity to respond to the Department of Treasury (**Treasury**) consultation on Australia's Sustainable Finance Strategy (**Consultation Paper**).

NAB's response and focus is guided by the 26 questions across 12 priority areas in the Consultation Paper and responds thematically to these questions.

NAB welcomes the development of a sustainable finance strategy for Australia, recognising the critical role that mobilising both private and public capital plays in the transition to a net-zero economy and to addressing other environmental and social challenges. NAB is supportive of the Government's prioritisation of alignment and interoperability with relevant global frameworks. NAB recognises the important role this plays in supporting the scale of capital flow and investment required to improve sustainability outcomes, including the transition to net zero, and to manage risks and capitalise on opportunities.

NAB has a long-standing track record in sustainable finance, including over 20 years of renewable energy financing and more than a decade providing innovative sustainable finance solutions across Australian and international markets. NAB's activity in sustainable finance has grown over time to meet demand, supporting customers as they decarbonise and to unlock commercial opportunities associated with the low carbon transition. In August 2023, NAB commissioned a report from Deloitte Access Economics that found there is a \$435 billion economic opportunity for Australia if it can transform its industrial base and establish a clean energy platform to both meet Australia's net zero target and drive export growth in support of global decarbonisation efforts<sup>1</sup>. NAB supported the establishment of Australian Sustainable Finance Initiative (now Institute) and its Sustainable Finance Roadmap and are participating in the development of Australia's Sustainable Finance Taxonomy.

NAB's approach to sustainability is embedded in our business strategy. Specifically, to find commercial responses to societal challenges. This prioritises activity in climate and environment, affordable and specialist housing and the economic advancement of First Nations people.

As a member of the Australian Banking Association (ABA), Australian Sustainable Finance Institute (ASFI), the Australian Financial Markets Association (AFMA), and the Business Council of Australia (BCA), NAB contributed to their respective submissions to the Consultation. NAB's submission focuses on the priorities and pillars which are most relevant to NAB and is informed by the questions in the Consultation Paper.

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<sup>1</sup> Refer to Deloitte Access Economics, [All Systems Go: Powering Ahead](#)

## **Executive summary**

NAB supports the Government's climate-first approach to sustainable finance as outlined in the Consultation Paper given the urgency and global nature of the challenge. There is a subsequent need to ensure capital is purposefully directed, and there is consistent focus across key sectors on priority actions. Reforms should provide a platform to address interconnected sustainability-related issues such as natural capital and biodiversity and support for communities in the transition to net-zero economy, as well as broader social issues such as First Nations economic development and affordable housing.

NAB acknowledges the role of small and medium businesses (SMEs) in facilitating and capitalising upon the transition to net zero. While SMEs will have a need to understand and manage climate impacts, reporting should not create undue cost or burden. NAB is investing in simple solutions to help SMEs better track and understand relevant data which will help them decarbonise, as well as access sustainable finance and investment capital. Government leadership is needed to avoid fragmented requirements that create complexity and to align investment.

NAB supports the Government's ambition to align with global markets as stated in the Consultation Paper, to support effective international capital flows, interoperability and minimise complexity, cost and compliance burden. NAB reiterates the importance of this as it relates to the development and future evolution of Australia's sustainable finance taxonomy and sustainability reporting standards.

Given the complexity and breadth of topics introduced in this consultation, NAB recommends further consultation on the proposed implementation roadmap, as well as on key proposals before the Government moves to formalise outcomes, including sustainability-related disclosure requirements, a sustainable finance taxonomy, and standardised requirements for transition planning and product labelling. NAB supports the Government's stated intention to incorporate First Nations people's perspectives in support of positive social and economic outcomes for First Nations people. As such, NAB recommends the Government seek to engage First Nations representatives in the development of initiatives.

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

### *Priority 1: Establish a framework for sustainability-related financial disclosures*

- **What are the opportunities for Government, regulators and industry to support companies to develop the required skills, resources and capabilities to make climate disclosures under the proposed new obligations?**
- **How should the Government, regulators and industry prepare for global developments in sustainability-related financial disclosure frameworks and standards, including the TNFD?**

NAB is supportive of efforts to create a comprehensive baseline for sustainability disclosures, noting there is growing demand for comparable, consistent, and reliable sustainability-related information. Improved transparency across the economy makes it easier for banks and other stakeholders to understand the sustainability performance of organisations, estimate emissions for customers and our portfolio, track performance and identify opportunities to support the transition to net zero by 2050, including through 'green' and 'sustainable' finance products or instruments.

NAB welcomes the initial prioritisation of climate and the phased implementation of the climate-related disclosure regime. There is a need for supporting organisational capability to understand

and report on climate risks. New solutions and public-private cooperation will be needed in addressing these challenges, particularly for smaller businesses. NAB has invested in several solutions to help small business customers better calculate, track and understand their climate-related data. This work is detailed in our response to *Priority 3: Support credible net zero transition planning*. Government leadership will be important to ensure solutions are consistent, scalable and minimise additional cost, avoiding fragmented approaches that cause undue burden on small business. Regulatory certainty is a necessary condition for business, particularly for SME investment in sustainability performance.

NAB recommends monitoring patterns in voluntary disclosure that occur as a result of supply chain relationships and investor expectations, driven by changes to regulatory regimes across Australia's key trade partners. Insights from this process will be useful in informing the Government's approach to ensure effective and consistent application. For example, some European Union (EU)-based companies may ask Australian suppliers to provide data aligned to the EU implementation of the Taskforce for Nature-related Financial Disclosures (TNFD), driving voluntary activity. Insights from these requests and the subsequent voluntary adoption will be useful in informing broader adoption.

Assurers will need to rapidly develop the capability and capacity to provide assurance for all climate disclosures (such as carbon accounting, scenario analysis, net zero transition planning). Further consultation is encouraged to agree which level of assurance is best suited to different types of disclosure. The assurance industry will need time to mature so these services are provided at a consistent standard and at reasonable cost.

More broadly, on the implementation of other sustainability-related financial disclosures, it is important that disclosure requirements for Australia align with global standards, where possible, to maximise the attractiveness of sustainable finance investments in Australia for overseas investors. NAB recommends the Government consider how it can support the finance sector to prepare credible disclosures and manage the phase-in of these requirements, including the non-climate aspects of International Financial Reporting Standard S1. NAB recommends further consultation and guidance on voluntary and mandatory requirements for other sustainability-related topic disclosures to reduce significant overlap with climate related reporting. This includes more guidance on required information and data, and privacy considerations for customers where relevant.

### **Nature-related information, including biodiversity**

NAB recognises the benefits of standardised disclosure guidance in helping to identify, manage and report on nature-related risks and opportunities and welcomed the release of final TNFD recommendations in September 2023<sup>2</sup>. NAB also acknowledges and welcomes the leading role the Australian government is playing in supporting the TNFD.

Measurement of nature-related, including biodiversity, data is challenging due to the complex and diverse nature of ecosystems, and a relative lack of data and models tailored to Australia. While

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<sup>2</sup> See page 40 of NAB's [2023 Annual Report](#)

progress is being made, data availability and methodologies are generally considered less advanced than climate-related information, requiring significant effort and cross-industry collaboration to develop.

The finance sector faces additional complexity associated with the collection and analysis of location-specific data across large, diversified portfolios. For example, NAB has regional and agriculture customers across all Australian states and territories. Many of these are SMEs and may lack the resources to prepare sustainability-related disclosures.

NAB has a role to play in supporting capability in this area, including through the development of enabling tools such as the ClimateWorks Natural Capital Investment Initiative, which involves developing approaches to measuring natural capital assets, flow of services or benefits, and organisational impacts or dependencies on nature.

NAB is developing its capability to geo-locate customers' assets and add in layers of nature-related information as it becomes available. For example, NAB is developing a tool called FarmID which will provide geo-locations for agricultural customer assets.

Given the need for capability development and the scale and breadth of data and information needed to support robust disclosures, government leadership is required to ensure further public and private sector investment is coordinated and effective. NAB recommends this support could include:

- **Government:** Guidance from Government is required to support the publication of comparable qualitative nature-related disclosures, while more robust quantitative methodologies are developed in the longer term.
- **Assurance:** Assurance providers will need to be engaged in developing approaches to providing assurance.
- **Building capacity:** Currently, preparing nature-related disclosures will fall to a relatively small number of subject matter experts. Time will be required to develop capacity within customers' businesses, and more broadly within consultancies and assurance providers that would be drawn upon to support implementation, preparation and assurance of disclosures. Government could play a role in building capacity, for example by ensuring vocational training is available through the TAFE or university system or both.
- **Making use of existing data:** Data requirements are addressed in greater detail in *Pillar 2, Priority 7* of this submission. However, to reduce reporting burden, guidance on how existing reporting can be used to support nature-related disclosures would be useful.

## *Priority 2: Develop a sustainable finance taxonomy*

- **What are the most important policy priorities and use cases for an Australian sustainable finance taxonomy? What are the key insights from international experience to date?**
- **What are priorities for expanding taxonomy coverage after the initial focus on climate mitigation objectives in key sectors?**
- **What are appropriate long-term governance arrangements to ensure that the taxonomy is effectively embedded in Australia's financial and regulatory architecture?**

NAB supports the Government playing a leading role in the creation of a sustainable finance taxonomy for Australia. An Australian taxonomy should create a common classification system to define investments and other financial products and services that qualify as sustainable and reduce the risk to consumers and businesses from greenwashing.

Governments are well positioned to ensure uniformity in approach across different sectors of the economy and to ensure that taxonomies are aligned with broader policy goals. Effective government participation and leadership can have positive benefits in providing market clarity and fostering investor confidence.

To effectively catalyse sustainable capital flow across borders, Australia's sustainable finance taxonomy needs to be interoperable with international taxonomies (for example, the EU taxonomy). NAB is supportive of the current taxonomy development process which is considering criteria from existing taxonomies and seeking to leverage these to create interoperability where it makes sense to do so.

NAB continues to support the development of an Australian sustainable finance taxonomy, including through participation in ASFI's Taxonomy Technical Expert Group and a Taxonomy Advisory Group. NAB supports the proposed approach of prioritising climate first.

We note the initial focus on climate mitigation and recommend ensuring the taxonomy is developed as a platform that can support the incorporation of climate adaption and resilience objectives soon after. Over time, other environmental and social priorities such as nature (including ecosystems and biodiversity), human rights (particularly consideration of First Nations' perspectives) and supporting communities in a net-zero economy should also be considered. NAB reinforces the importance of giving consideration to 'do no significant harm' and 'minimum social safeguard' provisions in any taxonomy, and notes that while these safeguards are being considered, that NAB has existing processes to assess environmental, social and governance risk in its transactions (including matters such as impact on people, environment). NAB welcomes the role the taxonomy can play in setting clear standards for product classification, labelling and marketing, in order to support confident deployment of sustainable capital and in the most effective manner.

NAB acknowledges that support for hard to abate sectors where meaningful transitional activities are taking place is required to transition the broader economy to reach net zero. NAB looks forward

to further engagement and contribution through ASFI on the design and development of an Australian sustainable finance taxonomy, including on the role of transitional activities<sup>3</sup>.

While a taxonomy will assist with the classification of high-level activities, it is important to note the value of existing government interventions, including programmes, studies and benchmarking schemes to make it easier to identify, classify and invest in suitable green assets as defined by the taxonomy. The following examples illustrate how this information can encourage allocation of capital to investments with positive environmental outcomes:

- The National Australian Built Environment Rating System (NABERS), which has been used effectively as a tool to screen for low emissions buildings aligned with the goals of the Paris Agreement and currently eligible for Climate Bond Initiative certification.
- Nationwide House Energy Rating Scheme (NatHERS) provides energy ratings for new dwellings. These ratings have provided a clear, accessible, and structured rating system for energy performance of dwellings that functions as a proxy for energy performance in sustainable finance. NAB acknowledges the Government's recent announcement of funding to expand NatHERS to offer energy ratings for existing homes<sup>4</sup>.
- Data from the Australian Energy Market Operator on the National Energy Market (NEM) quantifying the percentage of new generation being renewable, which allowed the Climate Bonds Taxonomy and Grids Criteria to automatically classify transmission and distribution investments on the NEM as Green.

NAB has set targets to improve social outcomes for financing to First Nations businesses and for the supply of affordable and specialist housing<sup>5</sup>. NAB recommends that the taxonomy be expanded over time to incorporate other relevant positive social and environmental outcomes most material to Australia's economy and national priorities.

Any Australian sustainable finance taxonomy should be subject to regular review to ensure it remains relevant, maintains harmonisation with global taxonomies as appropriate, and supports cross border sustainable finance flows. NAB recommends this review is conducted by an appropriate body with a clear terms of reference.

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<sup>3</sup> Refer to ASFI [Australian Taxonomy Transition Methodology](#)

<sup>4</sup> For more information, see the joint media release [Helping Australians save energy, save on energy bills](#)

<sup>5</sup> In NAB's 2023 financial year, NAB set targets to more than double its lending to First Nations businesses and community organisations to at least \$1 billion over the next three years and to provide an additional \$6 billion in lending for affordable and specialist housing by 2029. See pages 28-29 of NAB's [2023 Annual Report](#) for more information.

### *Priority 3: Support credible net zero transition planning*

- **What are key gaps in Australian capability and practice, including relative to ‘gold standard’ approaches to transition planning developed through the TPT and other frameworks?**
- **To what extent will ISSB-aligned corporate disclosure requirements improve the transparency and credibility of corporate transition planning? What additional transition disclosure requirements or guidance would be most useful in the medium-term?**
- **Are there related priorities and opportunities for supporting enhanced target setting and transition planning for nature and other sustainability issues?**

NAB seeks to support customers to decarbonise and build their climate resilience. NAB notes that a common transition planning framework is necessary to support provision of funding for the net zero transition, particularly with respect to the largest emitters who will have the greatest impact on Australia’s decarbonisation. Disclosure requirements that are aligned to the ISSB will be important, but further detailed guidance and requirements on transition planning will also be critical to ensure Australian businesses understand how they should approach this.

NAB recognises that multiple participants in the financial services ecosystem are already developing and may be applying similar but different transition plan requirements. Therefore, NAB supports efforts to improve efficiency and ensure harmonisation in this process to the greatest extent possible, to minimise complexity and expense for disclosing companies. NAB’s approach to date is set out below.

From 2021-2023, NAB assessed the transition maturity of 100 of our largest greenhouse gas emitting customers. This work was completed piloting a Transition Maturity Diagnostic which drew on international guidance including the Transition Pathway Initiative and the Cambridge Institute for Sustainability Leadership’s ClimateWise Transition Risk Framework. This exercise has provided strong foundations on which NAB can build upon when considering and assessing transition plans and supporting customers going forward.

NAB recently announced its requirements for certain customers<sup>6</sup> to have transition plans in place for any application for new or renewed corporate lending or project-level lending from 1 October 2025. NAB acknowledges that the transition will differ from customer to customer, sector to sector, and has focused initially on major customers in fossil fuel sectors. NAB is developing a framework to assess its customers’ transition plans and ensure they align with NAB’s stated decarbonisation target for that sector on a portfolio basis. As government requirements and industry obligations on companies change, NAB will seek to harmonise its expectations on customers, in an effort to reduce complexity and cost.

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<sup>6</sup> Applies to Corporate and Institutional Banking customers in the following sectors: power generation (where at time of lending 25% or more of the electricity generated by the customer is from thermal coal), oil and gas and metallurgical coal. See page 12 of NAB’s [2023 Climate Report](#) for further information.



NAB is helping SME customers to understand their climate transition needs and opportunities to reduce emissions through initiatives that support data measurement and insights, including:

- Partnering with cleantech start-up, Greener, to support SME decarbonisation efforts.
- Developing a tool to support medium-sized business customers to understand their Scope 1 and Scope 2 operational emissions, as well as providing a view of potential actions a business could take to decarbonise.

While the role of banks such as NAB will remain important, as in other areas of sustainable finance there is opportunity to consider from the outset how Government and industry can develop the capabilities, skillsets, tools, and capacities that will be required for transition planning. In particular:

- Government has a key role to play in providing guidance and setting practical expectations both for best practice and minimum standards for transition plans. In particular, greater clarity will be needed on requirements for SMEs. NAB recommends an approach that is tailored to business size and/or sector to promote effective transition planning and disclosures without disproportionately burdening smaller enterprises.
- Government should consider how to provide greater confidence in reported transition plans. Government should also consider the applicability of approaches it has used across other schemes to achieve the same outcome. Examples could include some form of certification, or assessment from a registered or otherwise recognised transition plan assessor.
- Government is well placed to raise awareness and provide training on basic concepts relevant to transition plans and climate disclosure, and to encourage companies to consider data challenges and prepare. This is especially important for smaller companies who may be subject to mandatory disclosure, but also for businesses below that threshold who may face requests for data or reporting from third parties, such as their banks, insurers, and companies within their value and supply chains.
- The transition will require investment, sometimes in unproven or small-scale technologies and innovation. NAB has established a climate investment capability to provide equity funding in innovative early-stage companies, joint ventures, partnerships and new businesses that can accelerate climate capability and support customers to successfully transition. NAB encourages Government to continue to consider how it can facilitate the acceleration of investment in technology and practices to assist the transition, including through its focus on supporting a growing impact investment market in Australia to mobilise private capital into small and social enterprises.

Globally, a key gap in the implementation of transition planning is a lack of clarity on how governments consider organisational transition plans in the context of national targets such as Nationally Determined Contributions (NDCs). An opportunity exists for the government to consider and disclose how transition plans could harmonise and align within sectoral policies and plans to provide a basis for national and international reporting purposes.

In this context, NAB welcomes the Government's development of sectoral decarbonisation plans for the electricity and energy, industry, transport, agriculture and land, the built environment and resources sectors, informed by the Climate Change Authority's decarbonisation pathways advice. NAB believes that these pathways can play a role in connecting NDCs and other national targets to specific sectors. These could be a useful and practical resource to disclose potential metrics or point to tools such as calculation methodologies that could help align planning and disclosure.

Beyond climate, NAB also sees a role for Government in helping businesses to consider other factors in their target and transition planning, such as:

- An articulation of the nature-related ambition that Australia is striving for, including clear definitions for key terms and guidance on use of offsets. Additionally, it would be helpful to have more information on the extent to which the government will draw on private landholders to achieve the "30 by 30" target from the Kunming-Montreal Global Biodiversity Framework.
- How to ensure a transition is inclusive and that communities and workers that are expected to be impacted the most in the transition to a net zero transition are supported. NAB acknowledges the role the Net Zero Economy Agency, and subsequently the Net Zero Authority, can play in this regard.

#### *Priority 4: Product labelling*

- **What should be the key considerations for the design of a sustainable investment product labelling regime?**
- **How can an Australian model build off existing domestic approaches and reflect key developments in other markets?**

The development of a sustainable investment product labelling regime supports Australia's ability to position itself to access growing sustainable finance markets. The implementation of this regime aligns with evolving stakeholder expectations, including customer preferences and investors seeking to align their portfolios with environmental and socially responsible financial institutions. NAB acknowledges the benefits to financial institutions in establishing a sustainable product labelling regime to manage and comply with relevant sustainability standards and regulatory requirements.

Alignment with existing domestic approaches and developments across other markets will be important. Internationally, work has already been done in relation to institutional investments, through voluntary standards such as the Green, Social, Sustainability and Sustainability-linked (GSSS) Loan Principles and GSSS Bond Principles issued by the Asia Pacific Loan Market Association and others, as well as the Climate Bond Initiatives Climate Bonds Standard. Just as NAB welcomes these existing standards informing work taking place on Australia's Sustainable Finance Taxonomy, we encourage Government to align with these global standards wherever possible.

NAB notes that while the Consultation Paper is focused on investment products, the requirements for the product labelling regime, once established, are likely to shape stakeholder expectations

across other financial service contexts, even if not yet a formal requirement. It will therefore be important to ensure the broader financial services sector is consulted as details of any regime are considered, and any definitions adopted consider the potential for application beyond the labelling regime.

Specifically, in relation to managed funds, as the Consultation Paper acknowledges, similar regimes are under development in the EU, the United Kingdom and the United States. NAB encourages alignment with these emerging standards where possible.

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

### *Priority 6: Identifying and responding to potential systemic financial risks*

- **Are there specific areas where the Government or regulators could further contribute to market-wide understanding of systemic sustainability related risks, including climate-related financial risks?**

Having a common set of detailed macroeconomic-climate scenarios (including data and key assumptions) for use by the finance sector, including banks and regulators and other organisations, is important to support a shared understanding of potential systemic risk caused by climate change. Bespoke data increases complexity and makes it hard to understand the systemic risk versus the risk associated with individual institutions and their portfolios.

Given the still-emerging nature of methodologies and the current state of data availability (often bespoke data sets provided at high cost) NAB recommends the development of publicly available downscaled data and scenarios, particularly for Australian physical risk.

NAB also recommends the continuation of the industry collaboration between banks and regulators as part of the Australian Prudential Regulation Authority's Climate Vulnerability Assessment to further progress methodology development, collaboratively address data issues and build industry climate risk management capability.

### *Priority 7: Addressing data and analytical challenges*

- **What are the priorities for ensuring that data-related initiatives already underway are tailored to meet the needs of firms and investors?**
- **What key sustainability data gaps or uncertainties faced by financial institutions in Australia should be prioritised by the CFR?**

Accurate, open source and publicly accessible data will be crucial in mobilising capital for sustainable finance and transitioning to a net zero economy. While data availability and understanding has improved in recent times, further improvement is required. NAB welcomes the Government's request for the Council of Financial Regulators (CFR) to assess key sustainability data gaps from a financial system perspective and provide recommendations to Government by the end of 2024 on how these can be addressed. NAB encourages timely implementation of agreed CFR recommendations thereafter.

For the CFR's work, NAB recommends the prioritisation of financed emissions measurement and climate scenario analysis. These areas are critical in supporting climate-related disclosures and addressing climate-related data challenges. This learning can be leveraged to help address the challenges associated with other sustainability-related data and information.

Significant opportunities exist at the sector and sub-sector level to locate and leverage existing datasets to inform climate-related metrics. Publicly accessible data that is provided at the relevant level (for example, sub sector agricultural, transport fleet energy and residential energy usage data<sup>7</sup>) can both support financed emissions quantification as well the deployment of sustainable finance.

#### Financed emissions:

While the introduction of climate-related financial disclosures will improve the quality of emissions data across the economy, gaps will remain. This is particularly for smaller organisations that will not immediately be captured (and may never be captured) by the proposed disclosure framework. As it relates to financed emissions data, NAB recommends prioritising small business where there are significant and tangible opportunities for data uplift.

#### Scenario analysis:

Climate scenarios are used for several purposes including, setting targets, climate vulnerability assessments and stress testing for Financial Institutions' counterparty portfolio and prudential risk management. As many of the climate scenarios currently used are global, they need to be "downscaled" to be made applicable to Australia. This requires using Australian-specific data to understand how global scenarios could translate into domestic physical and economic impacts. NAB also recognises that uplift in data, models and methods is required<sup>8</sup>.

#### Other priorities:

NAB supports the Government's approach to prioritisation of climate-related data and information. However, NAB encourages consideration of the linkages to broader sustainability issues (such as nature, including biodiversity). Given the significant and unique challenges faced in provision of accurate nature-related data, some recommendations for prioritising opportunities in this area, include:

- **Developing baselines:** Development of industry-specific assessments of nature-related impacts and dependencies, drawing from the ENCORE tool,<sup>9</sup> but modified to reflect the Australian environment, production and environmental regulatory conditions. This would help

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<sup>7</sup> Refer to the ABA's submission which details opportunities for sector level data improvement, including through the use and/or expansion of existing data sets.

<sup>8</sup> Refer to the ABA's submission which further highlights examples of data sets that could be prioritised for improvement in accuracy, as well as to inform Australian-relevant scenarios.

<sup>9</sup> The Exploring Natural Capital Opportunities, Risks and Exposure (ENCORE) tool is developed by the UNEP World Conservation and Monitoring Centre to assist organisations in understanding their exposure to nature-related risk, including their dependencies and impacts on nature.

create a common baseline from which businesses can determine material nature-related impacts and dependencies.

- **Improving data accessibility:** As an interim measure until customer-level data can be cost-effectively collected, specifying which publicly available data can be used to inform credible nature-related disclosures would be beneficial. NAB has provided similar feedback in response to questions raised by Government in the past relating to this.<sup>10</sup>
- **Cumulative considerations:** Guidance on the assessment of cumulative, catchment-based, nature-related impacts and dependencies and what this may mean for assessing nature-related risks and opportunities is required to support consistent approaches to undertaking assessments.
- **Scenario analysis:** Development of Australian nature-related scenario narratives reflecting key Government priorities that would address Australian nature-related issues, or targets would be helpful to support business and finance sector scenario analysis to assess nature related risks or to assist in setting organisational level targets. For example, what should be assumed about trends in soil quality across Australia.

People in communities that are affected by the transition to a net zero economy will need to be supported with training and reskilling to work in alternative or emerging industries. Accurate, open-source and publicly accessible social and labour data at a local government level is therefore required to understand the level of economic resilience of a community and to inform planning for what skills are needed and how retraining programs and regional mobility packages may be targeted. This is particularly important for regional and rural areas and in respect of SME resilience.

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

#### *Priority 9: Issuing Australian sovereign green bonds*

- **What are the key expectations of the market around issuance of, and reporting against, sovereign green bonds? What lessons can be learned from comparable schemes in other jurisdictions?**
- **What other measures can the Government take to support the continued development of green capital markets in Australia?**

NAB acknowledges the important role for Sovereign Green Bonds in domestic and offshore markets and commends the Government on the development of an Australian sovereign green bond program (with inaugural issuance expected in mid-2024) as a clear demonstration of the Government's ongoing commitment to funding major climate and environmental-related programmes and expenditure. NAB has acted as joint structuring adviser for the Government's inaugural green bond and is open to further engagement given NAB's experience.

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<sup>10</sup> Refer to the ABA response to the Department of Climate Change, Energy, Environment and Water's request from earlier this year for detail on data accessibility recommendations.

NAB recognises the importance of the recent expansion of the Capacity Investments Scheme in increasing new investment in renewable and clean dispatchable energy projects by reducing risk for project deployment<sup>11</sup>. NAB encourages further efforts to promote project development, including through efforts to incentivise bond markets in facilitating financing in renewable and clean dispatchable energy projects.

Lessons learned from other jurisdictions include the importance of effective engagement with relevant stakeholders to facilitate tagging, communicate project-specific performance characteristics and facilitate ongoing reporting and disclosure.

*Priority 10: Catalysing sustainable finance flows and markets*

- **What role can the CEFC play to support scaling up of sustainable investment in Australia, as part of a more comprehensive and ambitious sustainable finance agenda?**
- **What are the key barriers and opportunities for the CEFC to support financing and market development in areas with significant climate co-benefits, including nature and biodiversity?**

NAB is supportive of the proposed expansion of the Clean Energy Finance Corporation's (CEFC) mandate to include climate adaptation and resilience, as outlined in the Consultation Paper. Nascent markets often carry a higher risk, lying outside commercial risk tolerances. This can, in some cases, make it challenging for banks and other investors to provide support, especially initially. Government provision of guarantees or blended finance that helps de-risk lending to within commercial tolerances can catalyse private capital and, over time, build scale. This should be considered in setting the CEFC's expanded mandate, and more broadly for any other bodies who can play a role in supporting markets for sustainability issues. For example, NAB has partnered with Indigenous Business Australia to provide tripartite finance to First Nations businesses to grow and expand, where they would otherwise be unable to access credit.

## **Conclusion**

Thank you for the opportunity to provide comments on the Consultation Paper. NAB looks forward to participating in further consultation on this topic in the future. NAB is more than happy to discuss any aspect of this submission with Treasury.

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<sup>11</sup> See NAB's statement in support of the expansion of the Capacity Investments Scheme [here](#).