

# A better future for the lucky country: How government can support business on our decarbonisation journey.

**A policy brief by Bethany Richards on behalf of Better Futures Australia's Corporate & Finance Working Group.**

The 2021 United Nations Climate Conference (COP26) presents an opportunity for Australian business, civil society, and subnational leaders to jointly advocate for credible climate policies, including nationally consistent standards to drive private-sector ambition. While many of Australia's corporate actors are demonstrating climate ambition, the scale and pace of ambition must be increased to decarbonise at the pace required. Based on a qualitative analysis of Australia's climate policy framework for private-sector actors, namely the proposed Corporate Emissions Reduction Transparency (CERT) report, an addition to the existing framework for the National Greenhouse and Energy Reporting Scheme (NGERS), this policy brief outlines a set of policy recommendations that will see improvements to the quality of emissions reporting and the broader climate and sustainability policy landscape for private actors across the economy.



## Acknowledgements

We respectfully acknowledge the First Nations peoples of the lands on which we work and their Elders past, present and future.

I wish to thank everyone who generously committed their time and expertise to the development of this policy brief and the recommendations that have emerged from it. I must especially thank Lisa Cliff for her ongoing support and trust that has guided me through this project.

## About this brief

These recommendations were developed through qualitative interviews and an inductive coding process that allowed themes to emerge from the interviews. The interviewees represent

### CONTACT

Lisa Cliff | [lisa@cana.net.au](mailto:lisa@cana.net.au)  
Program Manager, Better Futures Australia  
Climate Action Network Australia

### CONTACT

Bethany Richards | [bethany@cana.net.au](mailto:bethany@cana.net.au)  
Research and policy intern  
Better Futures Australia

academic, industry and non-government perspectives. This policy brief is authored by Bethany Richards, a policy and research intern from the University of Melbourne. The author is independent of Better Futures Australia and the University of Melbourne, and does not gain personal benefit from these policy recommendations. Bias is inevitable but is acknowledged here in favour of decarbonisation and sustainable development in collaboration with all sectors of the economy, government, and civil society. These policy recommendations do not necessarily represent the views of any individual or associated organisation. Throughout this policy brief, the term “reporter” is used to describe a corporate entity that reports through a framework. An abbreviated terms list is included at the end of the brief.

## About Better Futures Australia

Better Futures Australia's network of partners are amplifying climate work already underway by bringing together public and private sector leaders to scale success stories and demonstrate Australia's readiness for an ambitious national response to climate change.

Together, we are building local cross-sectoral networks, showcasing individual and collaborative climate action, and inviting all Australians to join a growing community of climate champions in advocating for a national response that will reach zero emissions by 2050 or sooner.

Coordination and collaboration across industry sectors and communities is central to Better Futures Australia's work in driving ambitious climate action today. This is done primarily through Sector Working Groups that bring together new and existing climate champions in their industry sectors and communities, and connect in partners which provide support for scaling further actions.

## Contacts for this brief

Lisa Cliff | [lisa@cana.net.au](mailto:lisa@cana.net.au)

Project Manager, Better Futures Australia

Supervisor

Bethany Richards | [bethany@cana.net.au](mailto:bethany@cana.net.au)

Research and policy intern

Author



### CONTACT

Lisa Cliff | [lisa@cana.net.au](mailto:lisa@cana.net.au)  
Program Manager, Better Futures Australia  
Climate Action Network Australia

### CONTACT

Bethany Richards | [bethany@cana.net.au](mailto:bethany@cana.net.au)  
Research and policy intern  
Better Futures Australia

## Policy recommendations summary

PR1: The Australian Government must begin to ratchet down baselines under the Safeguard Mechanism now.

PR2: The Australian Government must introduce its own Carbon Border Adjustment Mechanism (CBAM), or similar, to price carbon and support the National Greenhouse and Energy Reporting Scheme (NGERS) and Safeguard Mechanism in incentivising innovation and achieving rapid decarbonisation of the economy.

PR3: The Clean Energy Regulator (CER) must consider scope 3 emissions in the Corporate Emissions Reduction Transparency (CERT) report for voluntary reporting and abatement commitment-setting, to support Small and Medium Enterprises (SMEs) in decarbonising.

PR4: That the CER ensures the CERT fairly captures the ambition of reporters by providing sensitive and inclusive categories to report against.

PR5: If CCS technology becomes accredited for issuance of ACCUs, they must be reported and displayed separately by the CER.

PR6: The CERT must ask companies to report on the closure and rehabilitation status of old mine sites and monitor progress on rehabilitation.

PR7: If the CER is not best placed to deliver the CERT in a transparent manner that encourages data sharing and utility, then another statutory body should be created for this purpose.

PR8: The Australian Government must install a credible federal Independent Commission Against Corruption (ICAC) to ensure decision making on sustainability is fair and accountable.

PR9: The Australian Government, the business sector and civil society must acknowledge the need to agree upon standardised metrics for corporate financial reporting on climate risk and

### CONTACT

Lisa Cliff | [lisa@cana.net.au](mailto:lisa@cana.net.au)  
Program Manager, Better Futures Australia  
Climate Action Network Australia

### CONTACT

Bethany Richards | [bethany@cana.net.au](mailto:bethany@cana.net.au)  
Research and policy intern  
Better Futures Australia

opportunity.

PR10: The Australian Government must establish a new joint initiative between the CER and the Australian Prudential Regulation Authority (APRA), to deliver PR9.

PR11: The Australian Government must establish a centralised national accounting system that facilitates progression towards the Sustainable Development Goals (SDGs), to improve data shareability and utility across all sectors of the economy.

PR12: The Australian Government must not introduce policy to extend or enable the commercial viability of fossil fuels and work to rapidly but fairly remove existing support for the fossil fuel industry.

PR13: The Australian Government must pursue bilateral trade agreements to secure new markets for lower- and zero-carbon Australian exports, and to assist other countries in decarbonising.

PR14: That the Australian Government strengthens engagement with business and other governments on decarbonisation technologies, to support us in becoming a renewable energy powerhouse.

PR15: All Australian Governments must use their significant purchasing and policy power to send market signals for innovative, low carbon-embodied materials (manufactured with renewable energy) from the Australian building and construction industry.

PR16: That the Australian Renewable Energy Agency (ARENA) and the Clean Energy Finance Corporation (CEFC) must not finance the continuity of existing or creation of new fossil fuel projects, such as fossil-fuel hydrogen and CCS for cleaning fossil-fuels.

**CONTACT**

Lisa Cliff | [lisa@cana.net.au](mailto:lisa@cana.net.au)  
Program Manager, Better Futures Australia  
Climate Action Network Australia

**CONTACT**

Bethany Richards | [bethany@cana.net.au](mailto:bethany@cana.net.au)  
Research and policy intern  
Better Futures Australia

## Policy recommendations and qualifying arguments

### PR1: The Australian Government must begin to ratchet down baselines under the Safeguard Mechanism now.

As one of the only policy levers the government has to abate emissions, it must act on this opportunity to accelerate decarbonisation of the Australian economy (S. Harter, personal communication, September 20, 2021). Presently, the Safeguard Mechanism is encouraging emissions production rather than abatement, as it is set above the emissions production of most reporters under the National Greenhouse and Energy Reporting Scheme (NGERS). Reporters can also comfortably avoid triggering the Safeguard Mechanism by reporting against a baseline that allows them the most leeway in emissions production. The loopholes that were built into the Safeguard Mechanism that allow large polluters to apply for increases in their baselines, under a range of conditions, should be remedied (S. Harter, personal communication, September 20, 2021). The Safeguard Mechanism is designed so that baselines could easily be ratcheted down over time to provide a predictable and effective policy mechanism to drive emissions reduction and generate an important market signal to stimulate investment in decarbonisation solutions (Anonymous industry source, personal communication, 2021; S. Harter, personal communication, September 20, 2021; Anonymous industry source, personal communication, 2021). The absence of efforts to close loopholes, ratchet down baselines and create a clear market signal are all a missed opportunity to gain better utility from NGERS data, and from the Safeguard Mechanism (S. Harter, personal communication, October 22, 2021).

The Australian Government must also consider the sensitive position of Australian Emissions-Intensive and Trade-Exposed (EITE) industries in the international market, which is highly competitive and small price changes could threaten export viability very quickly – and as such, ratcheting of the Safeguard should be incremental and predictable (Anonymous industry source, personal communication, 2021). If care is not taken to ratchet the Safeguard in a sensitive manner, then the competitiveness of Australian fossil-fuel exports could be overtaken by those from other countries and displace Australia's trading position – likely leading to carbon leakage rather than any real abatement. Co-investment and other supports should also be enacted to decarbonise Australia's EITE industries concurrently with ratcheting the Safeguard Mechanism (Anonymous industry source, personal communication, 2021). Each EITE industry will have different needs in their transition to either renewable or decarbonised industry. To best support these industries and transition workforces sensitively, government should partner with business and civil society to develop co-designed policy. Delivering this recommendation also opens new trade opportunities for Australia.

Ratcheting of the Safeguard Mechanism would likely increase the demand for Australian Carbon Credit Units (ACCUs) from companies managing their compliance with the Safeguard Mechanism alongside the demand from companies seeking to meet voluntary emissions reduction targets (S. Harter, personal communication, September 20, 2021; T. Quinn, personal communication, September 22, 2021). While companies should not rely on ACCUs to meet net-zero emissions targets, and direct emissions reduction should always be the first priority – such as through renewable energy, energy efficiency, process improvements and innovative technology development – ACCUs can play an important role for those specific groups of hard to abate

#### **CONTACT**

Lisa Cliff | [lisa@cana.net.au](mailto:lisa@cana.net.au)  
Program Manager, Better Futures Australia  
Climate Action Network Australia

#### **CONTACT**

Bethany Richards | [bethany@cana.net.au](mailto:bethany@cana.net.au)  
Research and policy intern  
Better Futures Australia

industries as part of their transition phase (S. Harter, personal communication, October 22, 2021). Ratcheting of the Safeguard Mechanism also provides companies with an opportunity to differentiate themselves in markets that increasingly value sustainable practice. If the CERT can capture reporter's progress on decarbonising, then this market signal can be amplified more impactfully to consumers (Anonymous industry source, personal communication, 2021).

[PR2: The Australian Government must introduce its own Carbon Border Adjustment Mechanism \(CBAM\), or similar, to price carbon and support NGERs and the Safeguard Mechanism in incentivising innovation and achieving rapid decarbonisation of the economy.](#)

NGERS was developed to function alongside a carbon price, which would add value to the data collected by the Clean Energy Regulator (CER). Without a carbon price, there is nothing driving decarbonisation in reporting. The Corporate Emissions Reduction Transparency (CERT) report will not guarantee decarbonisation or goal-setting that is legitimately ambitious, especially without an independent method of verifying the scientific basis of this goal setting. As such, a tangible mechanism that drives decarbonisation by attributing value to carbon in the market is necessary. Some have suggested that an effective price on carbon (M. Richter, personal communication, September 6, 2021) or an impost as designated by a CBAM (T. Quinn, personal communication, September 22, 2021), would achieve this. Others suggest that both are necessary to drive decarbonisation in Australia (Anonymous NGO source, personal communication, 2021), which will be outlined below.

Many countries around the world now have carbon pricing mechanisms and are considering CBAMs. There is a sound business case for the Australian Government to introduce both a carbon pricing mechanism and an Australian CBAM. These two policies would work together to reduce carbon leakage, protect Australian export competitiveness, and accelerate decarbonisation of the economy.

A domestic price on carbon could take many forms, including a tax or lowering the Safeguard Mechanism baselines incrementally. Such policies would produce a market signal for companies to decarbonise their products, though through different pathways. An explicit carbon price would increase the cost of domestic production according to its carbon intensity, thereby encouraging companies to abate and avoid this tax.

Alternatively, ratcheting the Safeguard Mechanism down would incentivise companies to decarbonise by making it more likely that they will breach their emissions cap if they do not. Breaching this cap incurs a financial penalty, and so companies will seek to avoid this. Arguments against both a carbon price and ratcheting the Safeguard Mechanism revolve around trade competitiveness.

Traded goods that are not carbon priced domestically or internationally would be more competitive than those which are, assuming there is no CBAM in the consumer country. Similarly, companies that decarbonise must pay to develop new technologies and innovations to meet new baselines, an imposition that other companies would not have if their country does not have an emissions constraint (Anonymous industry source, personal communication, 2021). An Australian CBAM would solve these issues while maintaining the benefits of accelerating decarbonisation of

**CONTACT**

Lisa Cliff | [lisa@cana.net.au](mailto:lisa@cana.net.au)  
Program Manager, Better Futures Australia  
Climate Action Network Australia

**CONTACT**

Bethany Richards | [bethany@cana.net.au](mailto:bethany@cana.net.au)  
Research and policy intern  
Better Futures Australia

the economy.

If Australia implemented a CBAM, it would price imports according to their emissions intensity to the same extent that Australian products are priced/ratcheted under the Safeguard Mechanism. Therefore, imports do not receive an unfair market advantage compared to domestically produced goods in Australia (Anonymous NGO source, personal communication, 2021). In the same vein, other countries with CBAMs would price Australian exports the same way – as if they were subject to a domestic carbon price. If Australian exports are priced domestically, that would mean they would be rebated for that price once exported to another country that also has a domestic carbon price. This prevents double-counting and levels the market for all carbon priced and zero-carbon goods (Feaver & Sheehy, 2012).

As more countries price carbon domestically and seek to level the market for carbon-intensive goods, Australian exports could face imposts internationally. This may not be an issue now, with Australia's major export purchasers not yet serious about introducing CBAMs (Reed, 2021). However, the more countries that implement CBAMs, the greater the risk that Australian businesses lose competitiveness if they are unable to keep up with the pace of decarbonisation and demonstrate it. Some Australian companies could be effectively locked out of a decarbonising international market if the government does not prepare climate policies that support investment in their transition (Accenture, 2021).

As such, the Australian Government should seek to align itself with other countries introducing CBAMs by introducing one of its own in conjunction with either a carbon price or ratcheting of the Safeguard Mechanism (which would emulate a carbon price but be delivered differently). These mechanisms must not operate on their own, but together, to create a functional and consistent trade environment domestically and internationally (Anonymous NGO source, personal communication, 2021).

Without consistency between national and international climate policy, there will be complications in differentiating between leaders and laggards within industries on the carbon intensity of their exports. If an international CBAM imposes tariffs on Australian exports based on their industry and not based on actual emissions of that producer, then companies investing in decarbonising could be slugged with an unfair cost (T. Quinn, personal communication, September 22, 2021). This would stifle innovation and decarbonisation of industries by preventing companies from differentiating themselves in the market and attributing commercial value to a non-financial metric (decarbonisation). However, if the Australian Government used NGERs data to price carbon on imports and exports, and had this data recognised by international CBAMs, then this issue would be resolved (Anonymous NGO source, personal communication, 2021).

As Australian business is already familiar with NGERs, carbon credit trading and the Safeguard Mechanism, it would likely welcome ratcheting the Safeguard over an entirely new pricing mechanism. As such, this pathway is the more likely of the two to be politically feasible. If the Australian Government engages with other countries seeking to introduce CBAMs, such as the European Union, it can learn from and participate in the development process. As such, it can secure Australian interests and develop its own CBAM that would complement international mechanisms as well. Rather than being seen as a risk to Australian trade competitiveness, Safeguard Ratcheting + CBAM should be seen as an opportunity to secure a fair playing field for

#### **CONTACT**

Lisa Cliff | [lisa@cana.net.au](mailto:lisa@cana.net.au)  
Program Manager, Better Futures Australia  
Climate Action Network Australia

#### **CONTACT**

Bethany Richards | [bethany@cana.net.au](mailto:bethany@cana.net.au)  
Research and policy intern  
Better Futures Australia

our exports and accelerate decarbonisation simultaneously.

Australian industry needs certainty to decarbonise rapidly and in a supported policy environment; the guesswork emerging from insubstantial policy is not conducive to a net-zero future (F. Andersen, personal communication, September 13, 2021). An AU CBAM, if paired with the ratcheting down of the Safeguard Mechanism, would send a strong market signal that would prevent companies from relying solely on offsetting to meet emissions reduction targets. There would likely be increased demand for ACCUs and other CCUs as companies enter transition periods and are required to more rapidly decarbonise. While there are not enough CCUs to cover this growing demand, further demand would stimulate projects capable of generating ACCUs (S. Harter, personal communication, September 20, 2021). As such, companies would also have to invest in renewable energy or new innovations to decarbonise. In turn, this would support Australia in becoming a renewable energy powerhouse to replace the revenue of EITE industries in the future (Anonymous industry source, personal communication, 2021). This industry will not develop overnight, the Australian Government must act now to establish its foundations that will secure the Australian economy for generations.

The Australian Government should engage with the EU and other states to help develop the EU CBAM and take the opportunity to influence and learn from the process. It is crucial that Australia ensures NGERs data will be recognised by an EU CBAM and that data sharing within supply chains is transparent enough to pass this data on through intermediary exporters. If it does not, the EU will more harshly tariff Australian exports based on higher emitting baselines (T. Reed, personal communication, September 23, 2021). The EU CBAM must start a new wave of dialogue on how Australia can grasp new opportunities to decarbonise with industry (Anonymous industry source, personal communication, 2021).

[PR3: The Clean Energy Regulator \(CER\) must consider scope 3 emissions in the Corporate Emissions Reduction Transparency \(CERT\) report for voluntary reporting and abatement commitment-setting, to support Small and Medium Enterprises \(SMEs\) in decarbonising.](#)

Reporting on scope 3 emissions is important, but what is perhaps more important is facilitating transparent data sharing practices between suppliers and producers (T. Reed, personal communication, September 23, 2021). SMEs do not have the same reporting experience as large emitters do under NGERs, however they will be pressured to improve abatement in the future, likely through contractual obligations (F. Andersen, personal communication, September 13, 2021; Anonymous industry source, personal communication, 2021). It may also be the case that the EU will request data on scope 3 emissions for its CBAM, and capacity must be there to facilitate this (T. Reed, personal communication, September 23, 2021). If large emitters are encouraged to communicate with their supply chains about decarbonisation under the CERT, then SMEs will gain valuable experience in reporting and abatement target-setting.

Large companies in Australia are already reporting on scope 3 emissions with their supply chains through the CDP (formerly the Carbon Disclosure Project) under the Task Force on Climate-Related Financial Disclosures (TCFD) framework (F. Andersen, personal communication, September 13, 2021). The CER should align with best practice in the business sector and provide participants with the opportunity to participate in TCFD reporting. To achieve broader

**CONTACT**

Lisa Cliff | [lisa@cana.net.au](mailto:lisa@cana.net.au)  
Program Manager, Better Futures Australia  
Climate Action Network Australia

**CONTACT**

Bethany Richards | [bethany@cana.net.au](mailto:bethany@cana.net.au)  
Research and policy intern  
Better Futures Australia



participation in abatement goal setting, the threshold for NGERs reporting (and by extension the Safeguard Mechanism) should be lowered from 100,000 to 25,000 tonnes of CO<sub>2</sub>e (Business Council of Australia, 2021). This would enable smaller emitters to partake in the CERT, which would improve coherency between abatement target-setting and data sharing between producers and suppliers. Having a centralised database would also enable the CER to monitor emissions inputs and outputs across the economy, providing valuable information for policymakers (Anonymous industry source, personal communication, 2021).

PR4: That the CER ensures the CERT fairly captures the ambition of reporters by providing sensitive and inclusive categories to report against.

As there is no one way to set Science-Based Targets (SBTs), the CERT must be careful that avoids any inflation of ambition (Anonymous industry source, personal communication, 2021). Conversely, the CERT must capture enough information (without being onerous) so that a reporter is represented rightfully for action they are taking. As such, categories must be inclusive enough to be representative and not harm business image, but distinct enough to allow for clear comparison between companies (Anonymous industry source, personal communication, 2021).

PR5: If Carbon Capture and Storage (CCS) technology becomes accredited for issuance of ACCUs, they must be reported and displayed separately by the CERT.

CCS should not be treated as an emissions reduction technology and should not be used to justify the prolongation of fossil fuel usage. As the ERF has allowed for a new method that permits CCS to generate ACCUs, companies that use these projects to meet emissions reduction targets under NGERs and the proposed CERT should be required to report separately on them. As currently proposed, the CERT would consider ACCU and other CCU offsetting in its reporting. CCS should be considered as a distinct category because it has the potential to generate emissions and presents a range of risks – including greenwashing. To protect against this and to ensure that companies are not relying on CCS to meet emissions reduction targets, and for companies to differentiate themselves effectively, CCS must be a distinct category displayed by the CERT (S. Harter, personal communication, October 22, 2021).

PR6: The CERT must ask companies to report on the closure and rehabilitation status of old mine sites and monitor progress on rehabilitation.

Allowing old mine sites to remain in limbo – not fully closed and rehabilitated – is not acceptable. Those responsible for old mines should be made to report on their mine status, rehabilitation timeline and the methods used to rehabilitate them. Very few mine sites have been rehabilitated in Australia and they leak significant amounts of greenhouse gas into the atmosphere, particularly methane, which does not appear to be accurately reported under NGERs. The Australian Government could employ new technology through satellite imaging to monitor methane leakage in real time, to hold companies accountable for their inaction on unrehabilitated mine sites (S. Harter, personal communication, September 20, 2021). Satellite tracking technology is coming to Australia irrespective of government involvement and should soon provide a means for a range of stakeholders to hold companies to account for their uncontrolled and/or unreported methane emissions. If the CERTs purpose is to improve voluntary commitment setting of NGERs reporters, then it should remedy these policy loopholes that enable companies to park inactive mine sites

**CONTACT**

Lisa Cliff | [lisa@cana.net.au](mailto:lisa@cana.net.au)  
Program Manager, Better Futures Australia  
Climate Action Network Australia

**CONTACT**

Bethany Richards | [bethany@cana.net.au](mailto:bethany@cana.net.au)  
Research and policy intern  
Better Futures Australia

indefinitely. Where possible, technologies that are available to directly monitor emissions, such as methane, from mothballed or abandoned mine sites should also be employed.

[PR7: If the CER is not best placed to deliver the CERT in a transparent manner that encourages data sharing and utility, then another statutory body should be created for this purpose.](#)

As it stands, the CER allows reporters to claim commercial in confidence for information that they deem commercially sensitive but would reveal more detail about their emissions profile (Anonymous NGO source, personal communication, 2021). It is highly debatable whether commercial in confidence should be allowed to be claimed as often as it is, and the reasons for claiming it are not transparent. The CER captures significantly more data than it reports publicly that would be in the public interest to know, and for policymakers to use. There are also several issues with how the data is formatted for publishing that makes it nearly impossible to accurately compare to the National Greenhouse Accounts, between companies and even within the same company for different reporting years. These issues call into question the efficacy of the CER and its commitment to transparency (Anonymous NGO source, personal communication, 2021). If these issues are not remedied, then another statutory body may be better placed to manage the CERT, which must be transparent to deliver real value out of voluntary commitment reporting.

[PR8: The Australian Government must install a credible federal Independent Commission Against Corruption \(ICAC\) to ensure decision making on sustainability is fair and accountable.](#)

With the Council of Australian Governments being dismantled in favour of a National Cabinet, it is of utmost importance that an independent space for auditing of governance decisions be installed. Ensuring that decision-making on nationally budgeted carbon processes is rigorous, transparent, and accountable requires independent oversight (Anonymous industry source, personal communication, 2021). State and territory governments must feel confident that their interests are represented fairly on the federal agenda, and successive federal governments need the space to make long-term decisions confidently.

Government decision-making needs to be audited for all matters of governance, but especially as Australia undergoes decarbonisation of its economy. This process requires long-term planning and must be made as fair and equitable as possible, and the federal government should be held accountable throughout this journey.

[PR9: The Australian Government, the business sector and civil society must acknowledge the need to agree upon standardised metrics for corporate financial reporting on climate risk and opportunity.](#)

Climate risk is now a tangible threat to Australian business, and one which is becoming more commonly accounted for within annual integrated reporting or sustainability reporting of corporations (F. Andersen, personal communication, September 13, 2021). Climate risk is described in several different ways and informed by various normative and scientific values, which can confuse collaboration on goal setting. As such, sustainable values need to have a set of accepted, appreciable points of verification so that when different actors meet to discuss

#### **CONTACT**

Lisa Cliff | [lisa@cana.net.au](mailto:lisa@cana.net.au)  
Program Manager, Better Futures Australia  
Climate Action Network Australia

#### **CONTACT**

Bethany Richards | [bethany@cana.net.au](mailto:bethany@cana.net.au)  
Research and policy intern  
Better Futures Australia

sustainability, they can identify what needs to change and why (Anonymous industry source, personal communication, 2021).

Climate risk is not yet treated with the same seriousness as financial or material risk. Attributing cost to climate risk is a strategy that business is not yet accustomed to, though the CDP now requires this of its reporters. Part of the difficulty is that companies do not yet know how to integrate sustainability into their corporate structures, and how to find maximal utility for sustainability reporting (F. Andersen, personal communication, September 13, 2021). Integrated reporting may solve this problem, where financial and non-financial metrics are assessed in the same report. Financial metrics can only reflect past value of a company, while non-financial metrics inherently capture future value (Anonymous industry source, personal communication, 2021). Accordingly, there is value in integrated reporting for risk management strategies that go beyond financial and material risk to consider risk to nature. By considering risk to nature, companies can develop value based on non-financial metrics, like decarbonisation, and marketise them. Products that value non-financial metrics will, in turn, increase their competitiveness in decarbonising markets. However, reporters must be careful that combining reporting on financial and non-financial metrics does not dilute the sustainable underpinnings of non-financial reporting (Anonymous industry source, personal communication, 2021).

**PR10: The Australian Government must establish a new joint initiative between the CER and the Australian Prudential Regulation Authority (APRA), among others, to deliver PR9.**

A partnership between CER and APRA could assist companies in locating value for non-financial metrics, enabling them to manage risks to the climate and nature while acting on new commercial opportunities simultaneously. The proposed CERT is the prime opportunity to develop metrics that would allow reporters to consider climate strategy and risk management. Furthermore, it could provide a centralised place to track companies' short-, medium- and long-term decarbonisation goals, where they can set milestones to measure progress (Anonymous academic source, personal communication, 2021). APRA, for example, is already experienced in assessing climate-related financial risks, and so is well placed to partner with CER on this initiative, as well as ASIC, the RBA and Treasury through the Council of Financial Regulators who have a Working Group on the Financial Implications of Climate Change (Anonymous academic source, personal communication, 2021). While some have criticised CERs commitment to transparency on data sharing (Anonymous NGO source, personal communication, 2021). It is best placed as the body coordinating NGERS reporting to deliver this initiative, which it has demonstrated good capacity in doing (T. Reed, personal communication, September 23, 2021).

**PR11: The Australian Government must establish a centralised national accounting system that facilitates progression towards the Sustainable Development Goals (SDGs), to improve data shareability and utility across all sectors of the economy.**

Data sharing across all industries and sectors of the economy is important to monitor Australia's progress on SDGs and decarbonisation. The current fragmented approach that is based on data *collection* would be more effective if it were to instead focus on data *sharing* and data *usability*. Business needs a central location to deposit and analyse data on sustainability across the country, to identify risks and opportunities (Anonymous industry source, personal communication, 2021). Science-based and normative values need to become aligned through

**CONTACT**

Lisa Cliff | [lisa@cana.net.au](mailto:lisa@cana.net.au)  
Program Manager, Better Futures Australia  
Climate Action Network Australia

**CONTACT**

Bethany Richards | [bethany@cana.net.au](mailto:bethany@cana.net.au)  
Research and policy intern  
Better Futures Australia

nationally budgeted processes, to generate collective and directed action. If business can identify these values consistently and consumers can differentiate between leaders and laggards, then the market will drive decarbonisation (Anonymous industry source, personal communication, 2021). Companies that are seen to be contributing towards common goals which are set and monitored through nationally budgeted accounts will demonstrate to stakeholders, shareholders, investors, and regulators that they are taking climate risk seriously. If the CERT can capture reporter's progress on decarbonising, then this market signal can be amplified more impactfully to consumers (Anonymous industry source, personal communication, 2021).

Like companies, Australian governments also experience difficulties in committing to climate action without it being highly politicised. As such, the nationally budgeted accounts would provide a space for bipartisan action over the long term, with successive governments contributing towards shared goals. In this way, SDGs need not be legislated at the national level, as a strong policy and budgetary environment would support them sufficiently (Anonymous industry source, personal communication, 2021). Nationally budgeted accounts would also allow government to communicate with the Australian people in a manner that is transparent on strategy and is conveyed in an approachable way. This would resolve the criticisms that NGERs data is difficult to interpret and would enable its use by policymakers, business, and the public.

[PR12: The Australian Government must not introduce policy to extend or enable the commercial viability of fossil-fuels and work to rapidly but fairly remove support for the fossil fuel industry.](#)

Investors need certainty that their investments in renewables will be highly valued. However, the Australian Government has recently proposed capacity payments that would benefit coal-fired energy generators that deliver electricity through the National Electricity Market (NEM). This payment could sustain the operations of old coal fired power stations beyond their lifespan of projected commercial viability. Renewable electricity coupled with battery storage or other clean dispatchable power sources such as pumped hydro, is more than capable of supplying enough reliable power without propping up old, increasingly unviable coal-fired stations (S. Harter, personal communication, September 20, 2021). The proposed capacity market, which had no climate objective or emissions reduction intention would serve to prop up with fossil-fuel industry and support one of the least reliable current forms of electricity generation – old coal generators that are failing and do not operate effectively during extremely hot weather (S. Harter, personal communication, October 22, 2021). Capacity payments would harm the commercial value of renewable energy by unfairly inflating the value of fossil-fuels and would disincentivise decarbonisation of Australia's energy sector. Similarly, the CER should not allow CCS projects to become accredited ACCUs if they are used to make polluting fossil-fuel projects viable. No new fossil-fuel explorations should be justifiable through the promise of unproven CCS (S. Harter, personal communication, September 20, 2021).

However, from another perspective, there is value in CCS mitigating emissions for already established projects that would otherwise be producing more emissions. If a company can prove that CCS would create additional abatement on top of what a company is already doing, and that it meets stringent capacity standards, then it should be awarded ACCU accreditation. This is because CCS is expensive to develop and implement, and companies should be reimbursed for this investment to incentivise innovation and wider decarbonisation of transition industries

**CONTACT**

Lisa Cliff | [lisa@cana.net.au](mailto:lisa@cana.net.au)  
Program Manager, Better Futures Australia  
Climate Action Network Australia

**CONTACT**

Bethany Richards | [bethany@cana.net.au](mailto:bethany@cana.net.au)  
Research and policy intern  
Better Futures Australia

(Anonymous industry source, personal communication, 2021).

PR13: The Australian Government must pursue bilateral trade agreements to secure new markets for lower- and zero-carbon Australian exports, and to assist other countries in decarbonising.

The Australian Government has focused on securing fossil fuel exports to China and India (Anonymous industry source, personal communication, 2021), but this strategy will not remain viable over the long term. Eventually, these countries will phase out fossil fuels and seek to gain energy security through renewables. China is already taking a holistic approach to energy security by dominating renewable energy supply chains (Durrant et al., 2021). Australia could sure up its position as a renewable energy powerhouse by securing Chinese and Indian markets as they emerge, to reinforce our strong trade relationships. This would help to decarbonise Australia's export portfolio and buffer the Australian economy against the loss of fossil fuel export revenue. It would also assist Chinese and Indian energy sectors to decarbonise (Anonymous industry source, personal communication, 2021).

Construction in China and India is also projected to increase as their societies continue developing. As such, there is a need for lower- and zero-carbon construction materials to replace those which are emissions intensive as these countries seek to decarbonise (Anonymous industry source, personal communication, 2021). Should the Australian Government develop a *Buyers Alliance for Reducing Embodied Carbon in Construction* (Waters et al., 2020), then Australian business could quickly act to secure lucrative trade agreements with these large economies.

Securing large markets in China and India would also buffer Australian industry that would face the cost of investing in technology upgrades to decarbonise. Businesses not having to decarbonise would have a competitive advantage in a market that does not value abatement (Anonymous industry source, personal communication, 2021). However, if Australian business leads the way, or becomes a fast follower to those countries with developing zero emissions export industries, then this potential disadvantage becomes an opportunity. If markets soon introduce CBAMs, then the incentive to develop a significant renewable energy industry is even greater (Anonymous industry source, personal communication, 2021).

Bangladesh is also an emerging economy with significant energy needs, and the Australian Government has committed to assisting the country in improving its energy infrastructure, as well as assisting with lower-carbon development (Australian Government, 2021a). As such, a partnership on delivering renewable energy to Bangladesh should be considered.

PR14: That the Australian Government strengthens engagement with business and other governments on decarbonisation technologies, to support us in becoming a renewable energy powerhouse.

Australia is currently pursuing decarbonisation initiatives under the Japan-Australia Partnership on Decarbonisation through Technology, however some of these initiatives include investment for CCS that would develop new coal projects in Australia and extend the lifetime of fossil-fuel use (Global CCS Institute, 2018). It is incongruent to develop the CERT as a mechanism to track emissions reduction targets while simultaneously promoting carbon-based projects. As a country

**CONTACT**

Lisa Cliff | [lisa@cana.net.au](mailto:lisa@cana.net.au)  
Program Manager, Better Futures Australia  
Climate Action Network Australia

**CONTACT**

Bethany Richards | [bethany@cana.net.au](mailto:bethany@cana.net.au)  
Research and policy intern  
Better Futures Australia

that is dependent on imported energy, Japan will require renewable energy imports to meet its net-zero targets (Hancock & Ralph, 2021). As such, the Australian Government should prioritise entirely renewable projects through this partnership – such as green hydrogen and ammonia (Australian Trade and Investment Commission, 2021) – and support Japan to transition its electricity system away from a reliance on fossil fuels.

To become a renewable energy powerhouse, Australia needs to inject a significant amount of investment into renewable energy technology and supporting service industries. It is counterproductive to invest in new fossil-fuel based partnerships as it disincentivises investment in renewable energy technology and adds to the policy confusion perpetuated by the Technology Investment Roadmap (Swann et al., 2020). Incongruent policy decisions undermine Australia's energy and job security in the future. It is unfair to perpetuate the notion that jobs in fossil fuels are secure, as renewable energy will eventually replace these industries. To increase the number of renewable energy jobs and secure a future workforce for these communities to transition to, the Australian Government must become serious on investing in renewables.

[PR15: All Australian Governments must use their significant purchasing and policy power to send market signals for innovative, low carbon-embodied materials \(manufactured with renewable energy\) from the Australian building and construction industry.](#)

This could be achieved by creating a national *Materials and Embodied Carbon Leaders' Alliance* (MECLA), which has been highly successful in NSW with over 110 companies and organisations signing up since its formal establishment in April 2021 (M. Richter, personal communication, 20 October, 2021). The Government of NSW funded this initiative, which provides incentives for members to procure lower- or zero-carbon products. MECLA regulates the procurement policies of its members to align with best practice government and non-government policy. MECLA also ensures that its members disclose the embodied carbon within the materials used for planning and construction (M. Richter, personal communication, 20 October, 2021). This Leader's Alliance would support the building and construction industry across the country and facilitate market signals that would reach harder to abate sectors as well.

Government is best placed to facilitate the collaboration required between producers, purchasers, and users to both enact policy and leverage procurement that values abatement. Purchasers want lower-emissions products and producers want to be confident that their products would have demand if they committed to decarbonising them. For this to occur, Government must assist all partners to secure investment for lower- and zero-carbon products (T. Reed, personal communication, September 23, 2021). Government can leverage the procurement of contracts for building and construction to incentivise lower- and zero-carbon products with voluntary reductions targets (Waters et al., 2020).

[PR16: That the Australian Renewable Energy Agency \(ARENA\) and the Clean Energy Finance Corporation \(CEFC\) must not finance the continuity of existing or creation of new fossil fuel projects, such as fossil-fuel hydrogen and CCS for cleaning fossil-fuels.](#)

In May 2021, the Morrison Government updated ARENA's mandate so that the organisation can support technologies that involve fossil fuels, as per its Technology Investment Roadmap (ARENA, 2021; Australian Government, 2020). There has also been debate within government as

#### **CONTACT**

Lisa Cliff | [lisa@cana.net.au](mailto:lisa@cana.net.au)  
Program Manager, Better Futures Australia  
Climate Action Network Australia

#### **CONTACT**

Bethany Richards | [bethany@cana.net.au](mailto:bethany@cana.net.au)  
Research and policy intern  
Better Futures Australia

to whether the CEFCs remit should be extended to invest in gas and coal projects (Clean Energy Council, 2021) through the Grid Reliability Fund, though no changes to its enabling legislation have yet been made (CEFC, 2021). As previously argued, the Australian Government should not be making investments in fossil fuel based projects that further confuse the market signals that support decarbonisation pathways. CCS has not met targets for cleaning fossil fuels (S. Harter, personal communication, September 20, 2021) and is therefore an insecure investment for government. Public money should be spent on developing renewable industries that will support Australian jobs into the far future, not to extend far fewer jobs that do not afford long term security. Instead, ARENA and the CEFC should be funding projects that can deliver renewable energy jobs right now, as outlined in the Clean Jobs Plan devised by AlphaBeta Australia and the Climate Council (2020).

## Concluding remarks

Australia is a lucky country with abundant potential to deliver renewable energy to the world and a prosperous, climate-resilient domestic economy in the process. National reporting standards must become more ambitious and transparent to support economy-wide supply chain decarbonisation. Acting on these recommendations will develop the foundation that Australia needs to secure new markets for renewable energy, and enable a smooth transition away from EITE industries. Business is currently leading the way in many instances, however if Australia is to decarbonise at the pace required, business needs to receive the right market signals. The Australian Government must step up its ambition and support business to lead the way to zero emissions and better futures.

### CONTACT

Lisa Cliff | [lisa@cana.net.au](mailto:lisa@cana.net.au)  
Program Manager, Better Futures Australia  
Climate Action Network Australia

### CONTACT

Bethany Richards | [bethany@cana.net.au](mailto:bethany@cana.net.au)  
Research and policy intern  
Better Futures Australia

## Abbreviated terms

ACCU: Australian Carbon Credit Unit, which represents one tonne of carbon dioxide equivalent net abatement that can be surrendered to reduce net emissions of a company.

APRA: Australian Prudential Regulation Authority, a statutory (government) body that regulates the financial sector.

ARENA: The Australian Renewable Energy Agency, a statutory body that invests in low- or no-emissions technology.

CBAM: Carbon Border Adjustment Mechanism

CCS: Carbon Capture and Storage, technology that permanently removes carbon from a product, process or directly from the atmosphere.

CDP: formerly the Carbon Disclosure Project, a non-government reporting organisation on sustainable business practice.

CEFC: Clean Energy Finance Corporation, a green Australian investment bank.

CER: Clean Energy Regulator, a statutory (government) body that administers legislation to abate emissions and increase use of renewable energy.

CERT: Corporate Emissions Reduction Transparency report, a proposed addition to NGERs.

COAG: Council of Australian Governments, the primary intergovernmental forum until 2020.

EITE industries: Emissions-Intensive and Trade-Exposed industries.

ERF: Emissions Reduction Fund, through which the Australian Government purchases ACCUs, which is coordinated by the CER.

ICAC: Independent Commission Against Corruption.

MECLA: Materials and Embodied Carbon Leaders' Alliance, an initiative between the NSW Government, the WWF and the building and construction industry.

NEM: National Electricity Market.

NGERS: National Greenhouse and Energy Reporting Scheme, a reporting framework that mandates Australia's largest emitters to report on their emissions.

SME: Small and Medium-sized Enterprises.

SDGs: Sustainable Development Goals, created by the United Nations to be achieved by 2030.

TCFD: Task Force on Climate-Related Financial Disclosures, a framework developed by the Financial Stability Board.

### CONTACT

Lisa Cliff | [lisa@cana.net.au](mailto:lisa@cana.net.au)  
Program Manager, Better Futures Australia  
Climate Action Network Australia

### CONTACT

Bethany Richards | [bethany@cana.net.au](mailto:bethany@cana.net.au)  
Research and policy intern  
Better Futures Australia



WWF: World Wildlife Fund, a non-government nature-positive advocacy group.

**CONTACT**

Lisa Cliff | [lisa@cana.net.au](mailto:lisa@cana.net.au)  
Program Manager, Better Futures Australia  
Climate Action Network Australia

**CONTACT**

Bethany Richards | [bethany@cana.net.au](mailto:bethany@cana.net.au)  
Research and policy intern  
Better Futures Australia

## References

- Accenture. (2021). *Sunshot: Australia's opportunity to create 395,000 clean export jobs*.  
<https://www.wwf.org.au/what-we-do/climate/renewables/resources/clean-energy-exports#gs.dh5ai1>
- AlphaBeta Australia & Climate Council. (2020). *Clean jobs plan*.  
[https://www.climatecouncil.org.au/wp-content/uploads/2020/07/Climate-Council\\_AlphaBeta-Clean-Jobs-Plan-200720.pdf](https://www.climatecouncil.org.au/wp-content/uploads/2020/07/Climate-Council_AlphaBeta-Clean-Jobs-Plan-200720.pdf)
- ARENA. (2021, May 19). *ARENA welcomes expanded mandate to support the next generation of clean energy technologies* [Media release]. Australian Renewable Energy Agency; Australian Government.  
<https://arena.gov.au/news/arena-welcomes-expanded-mandate-to-support-the-next-generation-of-clean-energy-technologies/>
- Australian Government Department of Foreign Affairs and Trade. (2021). *Economic recovery in Bangladesh*.  
<https://www.dfat.gov.au/geo/bangladesh/development-assistance/economic-recovery-in-bangladesh>
- Australian Government. (2020). First low emissions technology statement – 2020. *Department of Industry, Science, Energy and Resources*, 2-44.  
<https://www.industry.gov.au/sites/default/files/September%202020/document/first-low-emissions-technology-statement-2020.pdf>
- Australian Trade and Investment Commission. (2021, September 9). *Japanese giants investigating Australian green hydrogen supply chains* [Investor update]. Australian Trade and Investment Commission; Australian Government.  
<https://www.austrade.gov.au/international/invest/investor-updates/2021/japanese-giants-investigating-australian-green-hydrogen-supply-chains>
- Business Council of Australia. (2021). *Achieving a net zero economy*.  
[https://d3n8a8pro7vhmx.cloudfront.net/bca/pages/6612/attachments/original/1633693581/BCA\\_Achieving\\_a\\_net\\_zero\\_economy\\_-\\_9\\_October\\_2021.pdf?1633693581](https://d3n8a8pro7vhmx.cloudfront.net/bca/pages/6612/attachments/original/1633693581/BCA_Achieving_a_net_zero_economy_-_9_October_2021.pdf?1633693581)
- Clean Energy Council. (2021, February 17). *Keep the clean energy finance corporation clean*.  
<https://www.cleanenergycouncil.org.au/news/keep-the-clean-energy-finance-corporation-clean?token=714>
- Clean Energy Finance Corporation. (2021a). *CEFC Annual Report 2020–21* (pp. 1–218).  
[https://www.cefc.com.au/media/dgykd5e1/cefc\\_annualreport\\_2020-21.pdf](https://www.cefc.com.au/media/dgykd5e1/cefc_annualreport_2020-21.pdf)
- Durrant, C., Bradshaw, S., & Pearce, A. (2021). Rising to the challenge: addressing climate and security in our region. *Climate Council*, 2-41.  
[https://www.climatecouncil.org.au/wp-content/uploads/2021/09/CC\\_MVSA0274\\_Climate-Security\\_V8-FA\\_Low\\_Res\\_Single\\_Pages.pdf](https://www.climatecouncil.org.au/wp-content/uploads/2021/09/CC_MVSA0274_Climate-Security_V8-FA_Low_Res_Single_Pages.pdf)

### CONTACT

Lisa Cliff | [lisa@cana.net.au](mailto:lisa@cana.net.au)  
Program Manager, Better Futures Australia  
Climate Action Network Australia

### CONTACT

Bethany Richards | [bethany@cana.net.au](mailto:bethany@cana.net.au)  
Research and policy intern  
Better Futures Australia

Feaver, D., & Sheehy, B. (2012). Climate policy and border adjustment regulation: Designing a coherent response. *Melbourne Journal of International Law*, 13(2), 792–817.

<https://search.informit.org/doi/10.3316/informit.060205686150120>

Global CCS Institute. (2018, April 12). *CCS centrepiece for new Australian-Japanese hydrogen supply chain* [Media release]. Global CCS Institute.

<https://www.globalccsinstitute.com/news-media/press-room/media-releases/ccs-centrepiece-for-new-australian-japanese-hydrogen-supply-chain/>

Hancock, L., & Ralph, N. (2021). A framework for assessing fossil fuel ‘retrofit’ hydrogen exports: Security-justice implications of Australia’s coal-generated hydrogen exports to Japan. *Energy*, 223. <https://doi.org/10.1016/j.energy.2021.119938>

NSW Government. (2021, August 18). *Low emission building materials*.

<https://www.energysaver.nsw.gov.au/reducing-emissions-nsw/low-emission-building-materials>

Reed, T. (2021). Swings and Roundabouts the unexpected effects of Carbon Border Adjustments on Australia. The Australian Industry Group.

[https://cdn.aigroup.com.au/Reports/2021/Carbon\\_Border\\_Adjustments\\_Policy\\_Paper.pdf?\\_cldee=d2VuZHkubGFydGVyQGFpZ3JvdXAuY29tLmF1&recipientid=contact-c943daa458c7eb11bacc00d3acc29c3-273ee88b747b4b54900e0eeb7682162e&esid=26f33b4a-56fe-eb11-94ef-00224810dcd3](https://cdn.aigroup.com.au/Reports/2021/Carbon_Border_Adjustments_Policy_Paper.pdf?_cldee=d2VuZHkubGFydGVyQGFpZ3JvdXAuY29tLmF1&recipientid=contact-c943daa458c7eb11bacc00d3acc29c3-273ee88b747b4b54900e0eeb7682162e&esid=26f33b4a-56fe-eb11-94ef-00224810dcd3)

Swann, T., Merzian, R., Quicke, A., & Ogge, M. (2020). Submission: technology investment roadmap discussion paper. *The Australia Institute*, 1-14.

<https://australiainstitute.org.au/wp-content/uploads/2021/01/P937-Australia-Institute-Sub-Tech-Roadmap.pdf>

#### **CONTACT**

Lisa Cliff | [lisa@cana.net.au](mailto:lisa@cana.net.au)  
Program Manager, Better Futures Australia  
Climate Action Network Australia

#### **CONTACT**

Bethany Richards | [bethany@cana.net.au](mailto:bethany@cana.net.au)  
Research and policy intern  
Better Futures Australia