

MEDIA RELEASE
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Welcome progress on sustainable finance at Treasurer's Roundtable

The Australian Sustainable Finance Institute (ASFI) welcomes further steps on sustainable finance at a Treasurer's Investor Roundtable on the Net Zero Transformation today in Canberra. These include release of the Green Bonds Framework that will underpin Australia's green bonds program, further funding for the development of Australia's sustainable finance taxonomy, agreement on key principles to inform design of Government's sectoral plans on climate, and announcement of a consultation to improve the superannuation performance test.

Led by ASFI, work to develop an Australian sustainable finance taxonomy kicked off on 1 July 2023 and is well underway. The taxonomy – as an important part of the Government's sustainable finance strategy – will provide a common standard for green and transition finance, helping to channel more capital for Australia's climate transition and supporting regulators to combat address greenwashing.

At the Investor Roundtable today, ASFI tabled two papers setting out key decisions that will govern the development of a credible, useable and internationally inter-operable sustainable finance taxonomy for Australia.

This includes how the taxonomy will determine which economic activities are eligible to be classified as 'green' and 'transition' under the taxonomy. Activities will be eligible for 'transition' if they need to be decarbonised because they have a continued role or uses in a future net zero emissions economy and are capable of significant movement towards a 1.5°C trajectory within a defined timeframe.

Currently, uncertainty about what counts for 'transition' finance is constraining finance and investment to support the global net zero transformation. Australia's approach to defining transition will underpin credibility for the Australian taxonomy, helping to attract international capital for Australia's transition and setting an example for other countries to follow.

The papers also set out an approach to ensure that activities classified under the taxonomy as green or transition do not cause significant harm to the environment or undermine minimum social standards.

Today, the Government committed an additional \$550,000 to support further work on development of the taxonomy. This is in addition to funding that was announced by the Government earlier this year as part of its 2023-24 budget and will help expand the coverage of the taxonomy beyond the three sectors currently under development.

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Taxonomy development is being driven through a Taxonomy Technical Expert Group (TTEG) co-chaired by Guy Debelle and Emma Herd, with oversight from the Australian Government's Council of Financial Regulators Climate Working Group.

ASFI CEO Kristy Graham says:

“ASFI welcomes the Government’s commitment of additional funding for the development of an Australian sustainable finance taxonomy that builds on the work and progress that ASFI, with the expertise and backing of the finance sector, has led to date.”

“The absence of a sustainable finance taxonomy in Australia remains a significant barrier to investment in climate solutions, including clean energy, in Australia. We’re pleased to continue to work with Government on the development of the taxonomy and the announcement will expand the coverage of the taxonomy beyond the initial three sectors that are already underway.

There remains strong support from the finance sector to get on with development of a full taxonomy as quickly as possible, bringing together the expertise and execution power of industry with scientific experts, Indigenous perspectives and policy expertise”

“As Australia looks to take a leadership position on climate and sustainable finance internationally, the work that we’re doing on transition finance, on defining ‘sustainability’ in the mining sector and on elevating First Nations perspectives into sustainable finance is of great interest to partners in our region and beyond”

On the release of the Government's green bonds framework, Kristy Graham said: “The Government's release of the framework for their Sovereign Green Bonds program will be well received by the market as a demonstration of government commitment to supporting the growth and integrity of green capital markets in Australia.”

On the announcement to consult on changes to the Your Future Your Super performance test, Kristy Graham said: “Currently, the superannuation performance test is inhibiting the ability of financial institutions to appropriately take into account sustainability related risks and opportunities in their finance and investment decisions and meet their members best financial interests over the medium to long term. ASFI welcomes the Government's consultation and looks forward to working with them and industry to help bring the superannuation regulatory framework into line with Australia's climate transition and broader sustainability goals while continuing to deliver for their members.

Details on the taxonomy project are available on ASFI's website (<https://www.asfi.org.au/taxonomy>).

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