

Meeting Minutes

Taxonomy Technical Expert Group

Date: Tuesday 13 March 2024, 3:00-6:30pm (AEDT)

Attendees:

<i>TTEG Members</i>		<i>ASFI Taxonomy Team</i>
Alix Pearce	Lauren Zanetti	Nicole Yazbek-Martin
Anna Skarbek	Libby Pinkard	Grace Soutter
Bronwyn Kitchen	Nadia Humphreys	Michael Dolan
Charles Davis	Richard Lovell	Rena Hasimi
Daniela Jaramillo	Rick Walters	
Emma Garlett	Robert White	<i>Climate Bonds Initiative and</i>
Emma Herd (TTEG co-chair)	Saphira Rekker	<i>Technical Partners</i>
Emma Penzo	Sarah Barker	Bridget Boulle
Guy Debelle (TTEG co-chair)	Tennant Reed	Che Wall
James Tilbury	Zachary May	Prateek Kumar
Karin Kobelentz	Bethany Dance (elected	Manisha Joshi
Kim Farrant	observer for Benson	
	Saulo)	

Apologies: Benson Saulo; Kate Griffiths; Steven Wright.

Meeting Minutes

<p>1. Open Meeting</p> <p>1.1. The Taxonomy Technical Expert Group (TTEG) co-chairs opened the meeting at 3:07pm with an Acknowledgement of Country.</p> <p>1.2. The minutes of the 5 December 2023 meeting were approved, and no changes were made to the TTEG Register of Interests or Stakeholder Engagement Register.</p>
<p>2. Taxonomy Project Recap and 2024 Workplan</p> <p>2.1. ASFI provided a recap of the project workplan for the initial development of the Australian taxonomy and briefly introduced the newly constituted governance, usability, institutional arrangements, data and equivalence (GUIDE) workstream and work on taxonomy coverage.</p> <p>2.2. ASFI highlighted the primary purposes of this meeting: to seek endorsement of the draft environmental headline ambitions and core social pillars for the Australian taxonomy; and to update members on the development of technical screening criteria (TSC) for the first three priority sectors. ASFI confirmed that the draft TSC for the first three priority sectors would be put forward for endorsement at the 30 April TTEG meeting.</p> <p>2.3. ASFI reminded members that, in providing feedback and endorsing materials, they should have regard to the core taxonomy principles of credibility, usability, interoperability and prioritisation for impact.</p>
<p>3. Draft Environmental Objective Headline Ambitions</p> <p>3.1. ASFI framed the draft headline ambitions for the Australian taxonomy, explaining that they are the ‘aspirational goals’ or ‘vision statement’ for each of its six environmental objectives and are intended for consideration as a whole. ASFI added that headline ambitions provide direction for the initial development of the taxonomy’s Do No Significant Harm (DNSH) criteria and a framework for building out the taxonomy’s positive screening criteria over time to cover sustainability objectives beyond climate change mitigation.</p> <p>3.2. ASFI outlined the methodology and consultative process for determining the taxonomy’s draft headline ambitions, explaining that it had sought technical input and incorporated feedback on iterative versions between November 2023 and March 2024 from (a) the DNSH Taxonomy Advisory Group (TAG); (b) the TTEG DNSH Committee; (c) the full TTEG; (d) the Department of Climate Change, Energy, the Environment and Water; (e) the Environmental NGO</p>

Taxonomy Forum; and (f) ASFI's First Nations Reference Group (FNRG). ASFI then introduced the headline ambitions and gave a summary of key input and feedback from these stakeholders.

3.3. ASFI raised an outstanding question of whether the draft headline ambition for climate change mitigation should include a quantitative interim target, highlighting that its inclusion or exclusion would not affect the taxonomy's 1.5°C alignment. Members weighed up the potential benefits and disadvantages of embedding a quantitative interim target in the headline ambition, including the difficulty inherent in specifying a single figure due to industry variations and changes in the science over time. The inclusion of sectoral interim targets was considered in light of this.

Decisions:

3.4. Members agreed that, in the initial instance, the draft headline ambition for climate change mitigation should indicate the importance of a strong, science-aligned 2035 target and sectoral targets that align with the taxonomy's credibility principle. Members asked ASFI to prepare two versions of the headline ambition for consideration: (1) one emphasising the importance of science-based 2035 targets without referring to a specific quantum(s); and (2) one with a placeholder for the future inclusion of an economy-wide, science-based 2035 target for further consideration.

3.5. Members endorsed the draft headline ambition language for climate change adaptation and resilience, subject to the removal of the word 'disaster' before 'response and recovery', given the need to shift focus towards building capacity to respond to long-term climate change.

3.6. Members endorsed the draft headline ambition for biodiversity and ecosystem protection, acknowledging the advice provided by ASFI's FNRG to include language on elevating First Nations-led traditional practices.

3.7. Members endorsed the draft headline ambition for pollution prevention and control with the addition of 'to the extent possible' after 'reduce pollution risks' to improve clarity.

3.8. Members endorsed the draft headline ambitions for the sustainable use and protection of water resources and circular economy without changes.

4. Draft Social Objectives and Core Pillars

4.1. ASFI reminded members of the process for determining the taxonomy's draft social objectives and their core pillars, explaining that these will underpin the development of Minimum Social Safeguards (MSS) criteria. ASFI noted work underway to identify the relevant international and domestic proxies for developing MSS criteria in accordance with the taxonomy design principles, particularly balancing credibility with usability, and aligning with the expectations of global capital markets. ASFI then summarised the consultative approach it took to identifying the draft core social pillars, including with the MSS TAG and MSS TTEG Committee.

4.2. ASFI outlined the changes that had been made to the taxonomy's draft core social pillars since the previous TTEG meeting. In particular, ASFI explained that 'just transition' had been removed from the 'employment' core pillar, based on further technical analysis and advice from MSS TAG and MSS TTEG Committee members. ASFI explained the removal reflects the fact that the taxonomy is not covering phase down or out activities, which are of most relevance to just transition considerations; and that while ensuring a just transition is integral to climate change mitigation efforts, it does not lend itself to MSS criteria or associated frameworks and standards and is often associated with coordinated government action.

4.3. Members asked why 'equal opportunity' had been used rather than 'social equity' in one of the core pillars. The technical team agreed to look into the different framing and report back.

Decisions:

4.4. The taxonomy's draft social objectives and core pillars were endorsed by the TTEG.

5. Progress Update: First Three Priority Sectors

5.1. The TTEG Co-chairs explained that the purpose of this agenda item was to provide members with an update on the technical taxonomy work underway for the first three priority economic sectors for development, and to raise any key issues or outstanding questions for discussion.

Electricity Generation and Supply

5.2. The technical team provided an overview of the development of draft technical screening criteria (TSC) for the electricity sector to date, reiterating the proposed technology-neutral approach and use of 1.5°C-aligned intensity metrics. The technical team clarified that unabated

fossil fuels are excluded. Abated fossil fuels are currently out of scope on the basis of abatement technologies not meeting the taxonomy's technology readiness level threshold. Nuclear power is currently out of scope due to laws that currently prohibit construction activities. Finally, the technical team recounted the uncertain role that gas generation for firming (gas peaking) will play in firming the grid, and explained how this could be reflected in entity and system level guidance. The TTEG Energy Committee provided their perspectives on these matters, recounting previous TTEG discussions regarding the taxonomy's endorsed transition methodology. Members discussed the merits and practicalities of usable entity level criteria and the potential to provide separate guidance for sustainable investors to evaluate the role of gas firming capacity investments within a credibly transitioning portfolio of assets.

Minerals, Mining and Metals

5.3. The technical team recounted the coverage, emissions boundary, and subcategories for the taxonomy (for example, new and existing mines) and provided an overview of the methodology guiding the development of green and transition criteria.

5.4. The technical team summarised the key challenges around (a) positioning of the DNSH criteria, (b) potential delineation of ore grades in the criteria, and (c) options for including criteria to address vertical integration activities that facilitate net emissions reductions. The technical team considered the suitability of utilising a 1.5°C pathway to inform the criteria for the critical minerals in scope due to their roles as inputs in low-carbon technologies, infrastructure and wiring constituting their primary substantial contribution to the taxonomy's mitigation objective. The technical team highlighted the data and modelling challenges for the mining sector and outlined potential options to determine the critical features of pathway design, including a thresholds or pathway approach, and a measures approach.

5.5. Members noted that iron ore had significant downstream emissions associated with iron and steelmaking, and proposed considering options for the inclusion of entity-level criteria to address Scope 3 emissions.

Built Environment

5.6. The technical team provided an overview of the scope of the framework of activities and coverage of eligible buildings, including new and existing buildings; and residential and commercial buildings. The technical team highlighted outstanding challenges that require

further discussion with the Built Environment TAG and TTEG Committee, including considerations regarding the use of energy intensity as a proxy for emissions reduction in cogeneration buildings; the appropriate requirements to guide criteria on embodied carbon; and the application of refrigerant limits across residential and commercial activities.

Next Steps

5.8. ASFI summarised the discussion and reiterated that the relevant TAGs and TTEG committees will continue to work with the technical team and ASFI to finalise the draft TSC for the first three priority sectors ahead of the 30 April TTEG meeting.

6. Governance, Usability, Institutional Arrangements, Data and Equivalence

6.1. ASFI provided an update on the recently established GUIDE workstream, through which the taxonomy's governance and institutional arrangements, use cases and ruleset, usability and interoperability and associated data requirements will be considered. ASFI explained that it has established a TTEG GUIDE Committee to support this workstream over the course of 2024, and is in the process of preparing an institutional arrangements proposal for the TTEG's review and future endorsement.

7. Meeting Close

7.1. The TTEG Co-chairs closed the meeting at 6.33pm.