

2 January 2024

Decision Minute: CFR CWG Taxonomy Subgroup

Finalisation of priority sectors for development under the Australian taxonomy

Date: Friday 15 December 2023

Record of discussion:

At a meeting between ASFI and the Council of Financial Regulators' Climate Working Group (CFR CWG) Taxonomy Subgroup on 15 December 2023, the prioritisation of sectors for initial development under the Australian sustainable finance taxonomy was finalised.

The Grant Agreement between the Australian Government and ASFI enables ASFI to develop taxonomy technical screening criteria (TSC) covering climate mitigation and further qualifying criteria for a minimum of three sectors over a 12 month period. The Grant Agreement contains an option to extend with additional funding to enable ASFI to develop TSC covering climate mitigation and further qualifying criteria for up to six sectors over an 18 month period, through December 2024.

At its 31 August 2023 meeting, the CFR CWG Taxonomy subgroup endorsed the following three sectors for immediate development:

- electricity generation and supply;
- minerals, mining and metals; and
- construction and the built environment.

The full decision minute is available [here](#).

On 27 November 2023, the Australian Government exercised the option to extend the Grant Agreement and confirmed additional funding to enable ASFI to develop TSC covering climate mitigation and further qualifying criteria for additional priority sectors. The remaining sectors prioritised for development, as set out in CFR CWG Taxonomy Subgroup decision minute of 31 August 2023, are manufacturing; transport; and agriculture.

ASFI outlined several options for the development of remaining priority sectors, based on the additional time and funding available due to the extension of the Grant Agreement.

Weighing the taxonomy sector prioritisation principles set out in the ASFI/CFR CWG Taxonomy Subgroup Terms of Reference (ToRs) and the 31 August 2023 decision minute against practical resourcing considerations, ASFI recommended that the transport and manufacturing sectors be developed next. ASFI noted the importance of developing TSC for the agricultural sector and highlighted the potential benefits of considering this sector holistically across all of the taxonomy's environmental management objectives, adding that this would require additional resourcing.

Record of decision:

The CFR CWG Taxonomy Subgroup discussed the options presented and ASFI’s recommendations, considering their relative costs and benefits in light of the following factors:

- the taxonomy design principles set out in the ToRs, which were used to identify the six priority sectors for development;
- the sector prioritisation principles previously developed to guide the CFR CWG Taxonomy Subgroup’s prioritisation decisions, particularly Principle 6 (prioritising the sector at this point in time would support the advancement of developing an Australian taxonomy and not impede progress);
- stakeholder expectations that the taxonomy would cover “up to six” sectors;
- alignment with coverage of the Government’s sectoral decarbonisation plans that are currently being developed; and
- the relevance of other sustainability objectives to the development of TSC for agriculture specifically, and the value in taking a more holistic approach to the sector, which is not currently possible due to resource and timing constraints.

Based on this discussion, the CFR CWG Taxonomy Subgroup agreed that the transport and manufacturing sectors would be prioritised next for development. The CFR CWG Taxonomy Subgroup also agreed that TSC for the agriculture sector should be developed in due course subject to further funding.

Record of attendees at ASFI/CFR CWG Taxonomy Subgroup meeting on 15 December 2023:

<i>CFR CWG Members</i>	<i>ASFI</i>	<i>Treasury Observers</i>
Warren Tease	Kristy Graham	Joseph Walters
Graham Sinden	Nicole Yazbek-Martin	
Anna Park	Grace Soutter	
Ben Phillips	Jessica Blake	