

Policy Priorities for the 48th Parliament

Australian Sustainable Finance Institute | May 2025

Supportive policy and regulatory settings are essential to enable capital to flow to support a sustainable and prosperous Australia. In March 2025, ASFI released the [Australian Sustainable Finance Action Plan](#), which sets out priority actions for participants across the financial system to manage systemic risk and capitalise on economic opportunities. Government policy featured in several of those actions. Drawing on the Action Plan, this document identifies ASFI's proposed focus areas for policy and government engagement over the next term of Parliament.

1. Accelerate implementation of foundational sustainable finance policies

1.1 Expand coverage of the Australian Sustainable Finance Taxonomy, and support its uptake by industry

The Australian Sustainable Finance Taxonomy is a key enabler of sustainable finance and investments, providing guidance to investors and markets on net zero compatible investments. Proactive signalling and market development by government and industry groups will be important to support integration of the Taxonomy into financial decision-making. To date, the Taxonomy has been developed for climate mitigation only. Expanding its coverage to adaptation and resilience, nature, and potentially social outcomes over time, would support capital allocation to these areas.

The Australian Government should:

- Provide guidance to Australian businesses and other entities to integrate the taxonomy into investment and decision-making processes (including green and transition bond frameworks) and to support their climate-related disclosures and transition planning.
- Fund development of further tranches of the Taxonomy, with adaptation and resilience being a high priority. This should begin in 2025 for completion in the next Parliament.
- Consider options to expand the Taxonomy to cover environmental and social objectives.
- Consider aligning the sovereign green bond framework with the taxonomy.

1.2 Bed-down and enhance sustainability disclosures

Corporate sustainability reporting is an important tool to support companies to manage climate risks and identify climate-related opportunities. The introduction of mandatory climate reporting for large Australian businesses has established a strong foundation for the provision of robust, consistent information to markets. Further measures are necessary to support businesses to make high quality disclosures at reasonable cost.

The Australian Government should:

- Continue to support market implementation of climate-related disclosures, including through development of guidance in key areas such as transition plan disclosures. This work should build market understanding of the benefits of using taxonomy alignment as a disclosure metric.
- Closely engage with and influence international developments on sustainability related reporting standards, including nature-related financial disclosures, to enable adoption of global standards.
- Provide national and regional environmental data sets to support companies' assessment and disclosures of environmental related risks and opportunities
- Support market-wide digital sustainability disclosures, as part of a broader transition to digital financial reporting which will support business productivity and enable the market to more effectively access and use information provided in sustainability related disclosures.

2. Optimise policy settings for sustainable finance

It is important to ensure that sustainability-specific policies are not undermined by barriers in the broader policy and regulatory ecosystem: all settings should push in the same direction. Currently, significant regulatory barriers exist to encourage allocation of capital consistent with Australia's climate, environmental and social goals. These barriers should be identified and removed, and regulator mandates should support sustainability outcomes.

The Australian Government should:

- Adjust prudential standards, in particular bank capital weightings, to reflect the systemic risk of climate change to the financial system and encourage green finance flows.
- Reform or evolve the Your Future Your Super performance test framework to remove barriers faced by superannuation funds seeking to invest in sustainable activities.
- Consider amendments to the Corporations Act and other legislation to include an explicit duty for Australian company directors to manage sustainability-related business risks.
- Amend the mandates of the Australian Prudential Regulatory Authority and the Australian Securities and Investments Commission to explicitly require consideration of sustainability-related systemic risk.
- Reform competition law and enable the Australian Competition and Consumer Commission to better facilitate collaboration between companies on sustainability, including through class exemptions.
- Review Australia's use of Special Investment Vehicles to support more efficient use of resources where appropriate (while retaining specialist expertise); greater coordination and collaboration; alignment of mandates with sustainability and social goals; and increased risk tolerance where necessary to build nascent markets for sustainable finance and investment.

3. Engage internationally to enable capital flows for sustainability

3.1 Support and shape international sustainable finance frameworks

With development and implementation of domestic sustainable finance frameworks now well underway, Australia is well placed to deepen its international engagement on sustainable finance. This will advance important international cooperation, help influence the development of global frameworks that reflect Australia's interests, and support Australia's access to international capital for our domestic transition and markets for our clean exports. Harmonisation of taxonomies and transition finance standards should be a key focus of this work. It should be progressed through government-to-government initiatives, and by supporting cross-border industry cooperation.

The Australian Government should:

- Significantly step up strategic international engagement through bilateral and multilateral channels to support harmonisation of international sustainable finance frameworks, with a focus on transition finance and green mining as areas where Australia has world-leading technical expertise and a national interest imperative. Focus for engagement should include China, Japan, Singapore, and the EU.
- Use the COP31 Presidency (should Australia's bid succeed) to prosecute an agenda that includes a strong focus on catalysing private capital, including leading a global transition

finance initiative to support mutual recognition of credible taxonomies, and establishing blended finance platforms to scale private finance and investment in the Asia-Pacific.

3.2 Build Australia's green industry and trade

Around 28% of Australia's export income is derived from fossil fuels which is at risk as trading partners transition their economies. However, Australia can capitalise on its endowments of mineral resources and renewable energy potential to become a leading force in green commodities in a global net zero economy. Realising this goal requires substantial and patient investment. Government has an important role to play in helping to de-risk these investments over the long term through domestic regulation and incentives, and international engagement to develop export markets.

The Australian Government should:

- Maintain and, where appropriate, increase existing policy settings to de-risk and incentivise investment in decarbonisation and export-oriented green industrial development where we have a comparative advantage.
- Develop a Sustainable Export Strategy that seeks to align Australia's foreign, trade and development policies and spending to work closely with international partners to transition Australia's existing trade relationships and build new sources of demand for green exports.
- Establish an Australian international green development finance institution to support Australia's development partners to decarbonise, develop green manufacturing capabilities and demand in line with Australian green export ambitions, and facilitate greater Australian investment and integration into South and Southeast Asia.

4. Strengthen supportive sectoral policies and regulation

4.1 Boost capability for First Nations equity partnerships and improve transparency

First Nations communities and traditional owners are significant stakeholders in Australia's net zero transition and green industry opportunity. Plans for clean economy infrastructure and industry frequently involve country in the Indigenous estate. Ensuring First Nations communities have a stake in these projects is a crucial success factor in gaining licence to operate and supporting risk mitigation for financiers and investors in major projects. At the same time, creating genuine partnerships in this transition supports the UNDRIP commitment to free, prior and informed consent, which recognises the rights of First Nations to be involved in decisions that affect their lands, territories, or resources. Enabling First Nations co-ownership of projects on Aboriginal land and promoting corporate transparency regarding their engagement with and impacts upon First Nations communities would support economic self-determination for Australian First Nations.

The Australian Government should:

- Champion, model, and embed principles of free, prior and informed consent (FPIC) and economic self-determination into all partnerships and decisions that impact First Nations communities.
- Recognising that FPIC cannot be achieved without appropriate resources, invest in building capability for First Nations communities and organisations through training, technical support and advice to enable full and equal participation in decision-making.
- Enable Indigenous business ownership and equity stakes in major projects by improving access to capital through increased localisation of capital delivery to First Nations businesses; building technical capability to participate in the economy; scaling up blended finance approaches, and reforming policy settings that create barriers to finance flows such as Indigenous ownership criteria and tax and trade arrangements for Indigenous businesses.

- Build the capability of non-Indigenous organisations – including Government – to understand and navigate culturally-appropriate engagement with First Nations communities and facilitate voluntary disclosure frameworks for corporate activity and major projects to understand their impact on Indigenous people.

4.2 Deliver a strong 2035 climate target and climate policies

Climate change remains a significant source of long-term risks and opportunities to the global and domestic economy. A strong 2035 nationally determined contribution (NDC) and a credible net zero plan are necessary to underpin investment in the transition and unlock opportunities for Australia in a global clean economy. The NDC must be backed up by a comprehensive suite of policies and programs to operationalise the target. At the same time, Australia should progress frameworks to better address physical risk and support climate resilience across the economy.

The Australian Government should:

- Deliver a strong and credible 2035 Nationally Determined Commitment that is aligned with the goals of the Paris Agreement well in advance of COP30.
- Strengthen Australia's emissions reduction policies, including:
 - Increasing the coverage and ambition of the Safeguard Mechanism, and making further adjustments necessary to introduce an economy wide price on carbon;
 - Putting in place settings to accelerate decarbonisation in the electricity sector and grow renewable energy infrastructure to support new clean industries;
 - Introducing new policies to support emissions reductions in areas not covered by existing policy, such as transport, agriculture;
 - Reviewing and adjusting existing policies and programs to remove measures that inhibit a clear market signal to reduce fossil fuel use, and ensuring that all public subsidies have clear alignment with a Paris aligned trajectory; and,
 - Progressing appropriate measures to ensure Australian industry remains competitive while transitioning to net zero, such as border carbon adjustments.
- Identify priority areas for investment in climate resilience through the National Adaptation Plan; reform land use and planning law; and provide the Clean Energy Finance Corporation an explicit mandate to catalyse private investment into climate adaptation and resilience.

4.3 Reform environmental protection legislation

Nature loss poses direct and indirect risks across the financial system and broader economy. The starting point for encouraging investment in Australia's natural capital is a robust and effective legislative and regulatory regime. This should protect against nature loss and support nature repair, provide certainty for businesses and investors, support greater productivity through efficient planning and environmental approvals, and build economic resilience.

The Australian Government should:

- Reform the Environment Protection and Biodiversity Conservation Act to provide better outcomes for nature and faster outcomes for project proponents, including through a robust and transparent mechanism for managing environmental offsets, embedding the mitigation hierarchy, and establishing an independent and effective federal Environment Protection Agency.
- Harmonise and strengthen federal and state environmental protections through the introduction of National Environmental Standards, consistent with recommendations of the Samuel Review and Australia's obligations under the Convention on Biological Diversity.

- Support improved nature-related data provision as a public good for better informed financial decision making, including through Environment Information Australia.
- Provide Australia's special investment vehicles, in particular the Clean Energy Finance Corporation, an explicit mandate to catalyse private investment into nature (noting this may require higher risk tolerance to allow market building activities).