Australian Taxonomy-aligned Debt Guidance

Issuing use-of-proceeds debt under the Australian Sustainable Finance Taxonomy

VERSION 1.1
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Australian Sustainable Finance Institute

Acknowledgement of Country

The Australian Sustainable Finance Institute (ASFI) acknowledges the Traditional Custodians of Country throughout Australia and recognises their continuing connection to land, waters, species and culture. We acknowledge their ongoing status as the First Peoples of Australia and pay our respects to their Ancestors and Elders past and present.

ASFI values the perspectives, knowledge and experience provided by First Nations Peoples to the development of the Australian Sustainable Finance Taxonomy and thanks those who contributed to this work.

About the Australian Sustainable Finance Institute (ASFI)

ASFI is a not-for-profit organisation committed to mobilising capital for climate, nature and social impact, and the peak body for the sustainable finance sector in Australia. ASFI's members are large Australian financial institutions – including major banks, superannuation funds, insurers, asset managers, and financial services firms – that collectively hold over AU$18.9 trillion in assets. ASFI and its members are committed to allocating capital in ways that create positive social and environmental outcomes to secure future prosperity and sustainable economic growth for Australia.

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1. About This Guidance

1.1. Purpose of this guidance

This guidance has been developed to support the interpretation and use of the Australian sustainable finance taxonomy (herein Australian Taxonomy) to issue use-of-proceeds debt instruments, supporting a common understanding of terminology, processes, and other matters related to the Australian Taxonomy's application for this purpose. Its intended audience includes issuers, facilitators, coordinators, independent reviewers, and investors.

This guidance is a living document and may be updated as market practice evolves and/or the coverage of the Australian Taxonomy expands to other environmental objectives.

1.2. Interpretation of this guidance

The publication of this guidance responds to a need for further clarity about how the Australian Taxonomy can be used to inform the issuance of use-of-proceeds debt.

This guidance is not a standard, certification or labelling scheme. Its publication by ASFI for voluntary use should not be interpreted as ASFI endorsing the credibility or merits of any use-of-proceeds debt instrument that uses the guidance. ASFI does not offer review, assurance, approval or accreditation for the interpretation or application of this guidance.

1.3. Scope of this guidance

The Australian Taxonomy and this guidance were developed with consideration of key market standards, including but not limited to the International Capital Market Association's (ICMA) Green Bond Principles, Green Enabling Projects Guidance and Climate Transition Bond Guidelines; the Asia Pacific Loan Market Association (APLMA), the Loan Market Association (LMA) and the Loan Syndications and Trading Association's (LSTA) Green Loan Principles and Guide to Transition Loans; and the Climate Bonds Initiative's (CBI) Climate Bonds Standard.

This guidance does not seek to replace, duplicate or diverge from general principles or requirements set out in these documents. Instead, it focuses only on areas specific to the Australian Taxonomy's interpretation and application, and the related representation and disclosures relevant to the core components of key frameworks guiding the issuance of use-of-proceeds debt instruments.

TABLE 1
Relevance of the guidance to components of labelled debt frameworks

Section of this guidance	Use of proceeds	Project evaluation & selection	Management of proceeds	Reporting
3 Allocations and expenditures	✓	—	—	—
4 Disclosing taxonomy alignment	✓	✓	—	✓
5 Applying technical screening criteria	✓	✓	—	✓
6 Applying Do No Significant Harm criteria	—	✓	—	✓
7 Applying Minimum Social Safeguards	—	✓	—	✓
8 Grandfathering provisions	—	—	✓	✓

2. The Australian Taxonomy in Use-of-Proceeds Debt

2.1. The role of taxonomies in use-of-proceeds debt

A sustainable finance taxonomy is a framework to classify economic activities – generally constituted as facilities, assets, projects or expenditures – that positively contribute to a defined environmental objective or set of environmental objectives.

The most common use of sustainable finance taxonomies is to inform the design of use-of-proceeds debt instruments issued by public and private sector organisations and screen for eligible activities and expenditures.

Designed credibly, jurisdictional taxonomies provide issuers and investors with a whole-of-economy view of the investments that make a substantial positive contribution to a given environmental objective.

A taxonomy's technical screening criteria (TSC), which comprise the requirements that each activity must meet to substantiate its contribution to a defined environmental objective, increase transparency and comparability, making it easier for market participants to identify and compare investment opportunities.

The use of TSC to screen for the positive sustainability impacts of activities financed through use-of-proceeds debt instruments can strengthen confidence in and assurance over sustainability claims.

Taxonomies also include environmental and social safeguards, through Do No Significant Harm (DNSH) and Minimum Social Safeguards (MSS) criteria, that support issuers to systematically identify and minimise environmental and social trade-offs specific to each activity.

2.2. About the Australian sustainable finance taxonomy

2.2.1. Scope of the Australian Taxonomy

Version 1 of the Australian Taxonomy focuses on climate change mitigation, covering 71 activities across six priority sectors, including Agriculture and Land; Minerals, Mining and Metals; Manufacturing and Industry; Electricity Generation and Supply; Construction and Buildings; and Transport. The sectors covered in the Australian Taxonomy align with those covered by the Australian Government's Sector Emissions Reduction Plans.

All guidance in this document relates to the allocation of proceeds to the climate change mitigation objective, covering activities included in the Australian Taxonomy.

Aligning use-of-proceeds debt instruments with the Australian Taxonomy can provide confidence to investors and other market participants that capital is being channelled to activities that meaningfully contribute to climate change mitigation, while also supporting transparency, credibility and comparability.

2.2.2. Design of the Australian Taxonomy

Consistent with the Australian government's commitment to the Paris Agreement's objectives, the Australian Taxonomy only includes activities with a stable or growing long-term role according to credible global and Australian 1.5°C pathways to net zero.[1]

Subject to meeting this threshold test, there are three types of activities eligible for green classification:

1. low or zero-emissions alternatives (e.g. renewable energy, electric vehicles);
2. harder-to-abate activities with a long-term role in an Australian 1.5°C aligned economy that have limited low or zero-emissions alternatives (e.g. cement, freight rail transport); and
3. enabling activities that directly facilitate the decarbonisation of other activities (e.g. electricity transmission and distribution, low-carbon transport infrastructure).

1 The IEA's Net Zero 2050 scenario is the Australian Taxonomy's core global reference, while Climate Change Authority, CSIRO and Climateworks Centre 1.5°C scenarios that downscale the IEA's TIMES model to the Australian context are the taxonomy's domestic local reference scenarios. More information can be found in Appendix 1 of the Australian Taxonomy.

The Australian Taxonomy classifies a whole activity as green – meaning a facility, asset or project defined by a specified emissions boundary – if it meets TSC that define performance indicators consistent with a 1.5°C pathway. Types of TSC can include emissions intensity thresholds and safeguards related to fuel and feedstock use to mitigate risks of carbon lock-in[2] among other requirements. In limited instances in the buildings sector, transition TSC with sunset dates apply for whole activities (see Section 5.2 »).

Decarbonisation measures are transition-classified in the Australian Taxonomy. In contrast to TSC covering whole activities, decarbonisation measures refer to stand-alone expenditures for low-carbon technologies, inputs, processes and practices that, through their substitution for higher emissions equivalents, can deliver material emissions reductions to existing activities. Issuers can allocate to decarbonisation measures irrespective of whether an activity performs in line with the TSC for a whole activity.

Navigate to:

Applying green TSC (Section 5.1) »

Applying transition TSC (Section 5.2) »

Applying decarbonisation measures (Section 5.3) »

Further detail about the Australian Taxonomy's transition methodology (Appendix 1) »

2.3. Labelling in relation to the Australian Taxonomy

2.3.1. Green and transition labelled instruments

Consistent with other taxonomies globally, the Australian Taxonomy has not been developed with the intention to align with thematic labels set out in bond and loan market standards. The Australian Taxonomy does not mandate that use-of-proceeds debt must be labelled to make a claim of taxonomy alignment, and does not specify the label that should apply to individual activities for the purpose of issuing labelled use-of-proceeds debt.

In 2025, ICMA published the Climate Transition Bond Guidelines and APLMA, LMA and LSTA published the Guide to Transition Loans. These sets of guidance characterise transition projects eligible for transition-labelled debt in a manner distinct to the transition classification in the Australian Taxonomy, among other credible taxonomies. Accordingly, the Australian Taxonomy's green and transition classifications do not equate to the label that should be applied under these bond and loan market standards and should not be interpreted as such.

Equally, as the Australian Taxonomy is an activity-level tool, it does not address entity-level considerations presented in transition-labelled debt standards. Key differences between the Australian Taxonomy's transition classifications and the labelling guidance in the Climate Transition Bond Guidelines and Guide to Transition Loans are set out in Appendix 2 ».

An issuer seeking to utilise labels in accordance with these standards should determine the appropriate label to apply to activities based on their interpretation of whether taxonomy-aligned proceeds are being allocated to activities consistent with the green label or transition label irrespective of the Australian Taxonomy's classifications.

2.3.2. Sustainability labelled instruments

No limitations are put on the use of the Australian Taxonomy for sustainability labelled use-of-proceeds debt.

Where proceeds are allocated intentionally to a mixture of (a) climate and environmental activities, including but not limited to climate change mitigation activities aligned with the Australian Taxonomy, and climate change adaptation and/or nature activities; and (b) social activities, the sustainability label should be applied in line with existing market practice.

2 The OECD (2023) states that "carbon lock-in occurs when fossil fuel infrastructure or assets (existing or new) continue to be used, despite the possibility of substituting them with low-emission alternatives, delaying or preventing the transition to near-zero or zero-emission alternatives".

ICMA's view on when to use the transition label

"The Guidelines encourage the use of the CTB [climate transition bond] label, for use-of-proceeds bonds, when all or a meaningful portion of the bond proceeds, as determined by the issuer, are intended to be allocated to CT Projects... If the issuer determines that its use-of-proceeds bond will not involve a meaningful allocation to CT Projects and the use of the CTB label is not warranted, the issuer is encouraged to provide comparable transparency and disclosure of its CT Projects as recommended by these Guidelines.

For the avoidance of doubt, when CTBs are not exclusively (re)financing CT Projects, the remainder of the proceeds should be allocated to eligible Green Projects as defined by the GBP" – ICMA (2025), Climate Transition Bond Guidelines, p.2

3. Allocations and Expenditures

Taxonomy-aligned activities and expenditures cover physical assets, capital expenditures (CapEx) and operating expenditures (OpEx). Definitions of these relevant to the Australian Taxonomy's scope are provided in Table 2.

Use-of-proceeds debt instruments through which taxonomy-aligned activities and/or expenditures are financed include, but are not limited to, bonds, notes, loans, and deposits.

Public agencies may allocate proceeds through subsidies, tax credits, rebates and/or other incentives, financing of government budget measures, credit schemes, grants or loans provided by government agencies and public-private-partnership expenditures for taxonomy-aligned physical assets, CapEx and/or OpEx.

TABLE 2
Eligible allocations – taxonomy-aligned activities

Physical assets	Refers to existing or planned taxonomy-aligned[3] assets such as machinery, infrastructure, buildings or land. This includes assets under construction, development or redevelopment, renovation, expansion and/or other enhancement. For planned physical assets, either a commitment or demonstration (e.g. through development plans, designs or specifications) that the activity will meet the relevant TSC should be made.
CapEx	Refers to CapEx related to taxonomy-aligned activities and/or decarbonisation measures. This includes, but is not limited to, CapEx related to the construction, acquisition, expansion, renovation, replacement or planned development of taxonomy-aligned activities; eligible decarbonisation measures; and/or CapEx to improve the emissions performance and/or lifetime of taxonomy-aligned activities. It may also include capitalised Research & Development (R&D) expenditure where it (i) contributes to the implementation of an Australian Taxonomy-aligned activity, and/or (ii) is specified as a decarbonisation measure in the Australian Taxonomy.
OpEx	Refers to OpEx related to taxonomy-aligned activities and/or decarbonisation measures. This includes, but is not limited to, OpEx related to installation (where not capitalised), servicing, repair, refurbishment and maintenance of taxonomy-aligned activities; eligible decarbonisation measures; relevant emissions-related performance monitoring costs; and/or training and education costs related to taxonomy-aligned activities. Normal running costs and associated staff costs are excluded. It may also include applicable R&D expenditure that is not capitalised where it (i) contributes to the implementation of an Australian Taxonomy-aligned activity, and/or (ii) is specified as a decarbonisation measure in the Australian Taxonomy.

There are differences in the ways CapEx and OpEx can be assessed as aligned with the Australian Taxonomy depending on whether the underlying activity meets the green TSC or not. These are explained in Section 5.1 ».

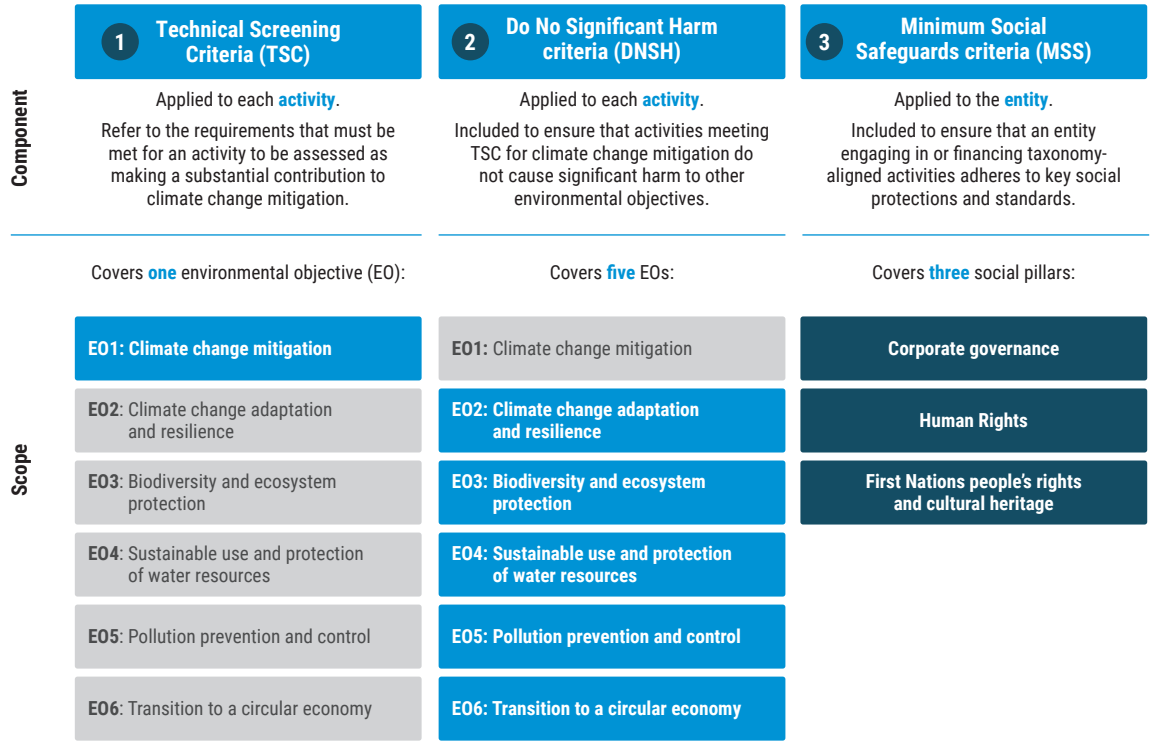
3 'Taxonomy-aligned' in the context of this guidance means activities that (1) are aligned with the TSC (and, where elected, DNSH and MSS) at the time of issuance, and/or (2) will align with the TSC (and, where elected, DNSH and MSS) over the issuance lifetime through the allocation of proceeds that facilitate alignment with the TSC.

4. Disclosing Alignment with the Australian Taxonomy

4.1. Foundations of the Australian Taxonomy's disclosure requirements

The three components of the Australian Taxonomy, summarised in Figure 1, include the TSC, DNSH, and MSS criteria.

FIGURE 1
The three components of the Australian Taxonomy



Compliance with the TSC is the *minimum* requirement for an issuer to claim alignment with the Australian Taxonomy.

Compliance with DNSH and/or MSS criteria is not mandatory. This means an issuer aligning with the Australian Taxonomy's TSC can choose whether and to what extent to align with DNSH and MSS subject to disclosing the parts of the respective criteria they are aligning with and those they are not.

This section sets out disclosure considerations related to claims of taxonomy alignment regarding TSC, DNSH and MSS.

Rationale for introducing flexible DNSH and MSS arrangements

Experiences from other jurisdictions suggest that predicating a claim of taxonomy alignment on compliance with DNSH and MSS criteria poses significant challenges for issuers with differing environmental and social risk management and due diligence processes. The resulting discrepancies in the types of information collected through existing processes, along with issuer uncertainty regarding the minimum evidentiary thresholds related to DNSH and MSS, can constrain taxonomy uptake.

Recognising these barriers, in the development of the Australian Taxonomy, the Taxonomy Technical Expert Group favoured the introduction of flexible DNSH and MSS criteria accompanied by clear disclosure requirements to ensure transparency regarding the extent of alignment flows through to investors and other market participants.

4.2. Disclosure expectations for claims of taxonomy alignment

4.2.1. Disclosing scope of alignment with the Australian Taxonomy

Issuers seeking to make claims of alignment with the Australian Taxonomy are responsible for disclosing which parts of the taxonomy they are aligning with and which parts they are not. This is important to ensure consistent and comparable information is available to investors and other market participants.

The Australian Taxonomy explicitly sets out this expectation for all users that make claims of alignment, ranging from TSC only to TSC and some or all DNSH and MSS requirements. Table 3 summarises the disclosure expectations consistent with various paths to alignment.

TABLE 3
Disclosure expectations for three scenarios

	Obligations
SCENARIO 1: Alignment with TSC, DNSH and MSS	• Disclosing that the **activity** aligns with the TSC; and • Disclosing that the **activity** aligns with the applicable DNSH criteria; and • Disclosing that the social risk management and due diligence processes of the **entity** align with the applicable MSS criteria.
SCENARIO 2: Alignment with TSC Alignment with some DNSH and/or MSS	• Disclosing that the **activity** aligns with the TSC; and • Disclosing that the **activity** aligns with the applicable DNSH criteria where a claim of alignment is made; and • Disclosing that the social risk management and due diligence processes of the **entity** align with the applicable MSS criteria where a claim of alignment is being made.
SCENARIO 3: Alignment with TSC No alignment with DNSH and MSS	• Disclosing that the **activity** aligns with the TSC; and • Specifying that only alignment with the TSC is being claimed.

4.2.2. Disclosing alignment of an issuance versus specific proceeds

The Australian Taxonomy does not stipulate a minimum percentage of an issuance that must be allocated to taxonomy-aligned activities. This means a claim or representation of taxonomy alignment can be made either at the activity level or at the issuance level if all net proceeds are to be allocated to taxonomy-aligned activities.

Where an activity or issuance is aligned with TSC only or TSC and some or all applicable DNSH and/or MSS requirements (i.e. scenarios 1, 2 and 3 in Table 3), the issuer can state that the activity or issuance is 'taxonomy-aligned' subject to making the appropriate disclosures as set out in Table 3.

In any investor materials, the issuer or lender should specify whether alignment is being claimed for the issuance (i.e. a taxonomy-aligned issuance) or for specific activities.

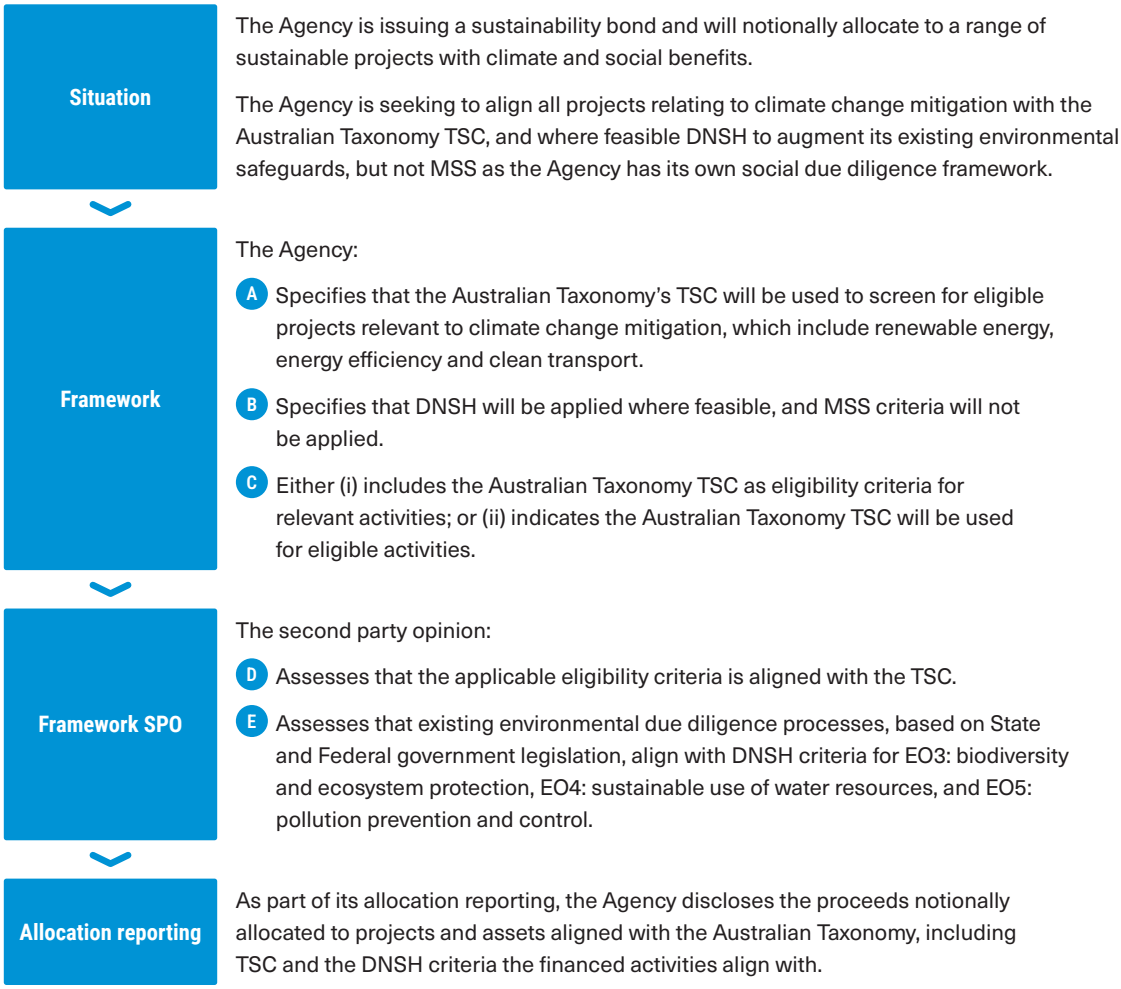
4.2.3. Disclosing alignment pre-issuance

To ensure transparency this guidance recommends that, prior to issuance, an issuer indicates (i) which activities the issuer expects will align with the Australian Taxonomy to the extent where the use of proceeds is known, and (ii) with which components of the Australian Taxonomy the issuer seeks to align with (i.e. as covered by Scenarios 1, 2 and 3 in Table 3).

These indications could be made in the issuer's framework, the framework second party opinion (SPO) or other pre-issuance materials.

Figure 2 provides an illustrative, non-exhaustive example of how this could be represented.

FIGURE 2
Example – Semi-sovereign agency issuing a sustainability bond



4.2.4. Disclosing alignment post-issuance

It is recommended that issuers specify where proceeds have been allocated to taxonomy-aligned activities, and the compliance of those activities with the relevant TSC, DNSH and MSS criteria in scope. Where an issuer has allocated to an activity that is included in the taxonomy, but the activity does not meet the TSC (i.e. green or transition TSC or decarbonisation measures), it should be made clear that the activity is not taxonomy-aligned.

Table 4 provides a non-exhaustive example of how taxonomy alignment could be represented for the example set out in Figure 2.

TABLE 4

Sample representation of issuing agency reporting allocation to taxonomy-aligned proceeds

			Taxonomy alignment						
Use of Proceeds	**Activity** (*denotes taxonomy-aligned activity)	**Allocation** (AU $m)	**TSC (E01)**	**DNSH**					**MSS**
				E02	E03	E04	E05	E06	
Renewable energy	D2. Energy generation from solar PV and CSP*	24	Y	Not assessed	Y	Y	Y	Not assessed	Not assessed
Energy efficiency	C11. Energy efficiency for industrial facilities*	12	Y		Y(N/A)	Y(N/A)	Y(N/A)		
	E5. Residential and small commercial upgrades*	18	Y		Y(N/A)	Y(N/A)	Y(N/A)		
Clean transportation	I2. Road passenger bus transport*	8	Y		Y(N/A)	Y(N/A)	Y		
	I16. Low-carbon public transport infrastructure*	43	Y		Y	Y	Y		
Sustainable water	Wastewater treatment	38	Activities not included under the Australian Taxonomy's climate change mitigation objective.						
Climate change adaptation	Leak detection and warning systems	7							
	Total	**150**							

Y denotes aligned with Australian Taxonomy criteria **N/A** denotes criteria not applicable

In this scenario, the issuer has provided a detailed assessment of allocated proceeds against the TSC and the in-scope DNSH criteria (i.e. for EO3, EO4 and EO5), but not MSS as the framework indicates they will use their own screening process.

For some activities and measures the Australian Taxonomy specifies that DNSH criteria for a given environmental objective does not apply (i.e. N/A) due to an assessment that the risks related to the objective are immaterial. In these cases, DNSH requirements can be considered satisfied. In the example in Table 4 this includes:

- Decarbonisation measures, namely activities *C11. Energy efficiency for industrial facilities* and *E5. Residential and small commercial upgrades*; and
- The activity *I2. Road passenger bus transport*, where for the environmental objectives in scope the DNSH criteria only apply for EO5.

More detail regarding the application of DNSH is provided in Section 6 ».

The Australian Taxonomy does not prescribe how taxonomy alignment should be represented in allocation reporting, and there are a number of ways that issuers can represent alignment.

If parts of the DNSH criteria in scope are not met for an activity, it is expected the issuer would disclose this in allocation reporting.

5. Applying Technical Screening Criteria

5.1. Green-classified activities

In most instances, green TSC cover whole activities, with a defined emissions boundary, that provide or enable a specific product or service that make a positive contribution to climate change mitigation.

If an activity meets the green TSC or the issuer has committed to aligning with the green TSC throughout the duration of the use-of-proceeds debt issuance,[4] then the Australian Taxonomy does not stipulate which expenditures are eligible provided they are consistent with the CapEx and/or OpEx parameters set out in Section 3 ».

In instances where the activity does not meet the green TSC at the time of issuance, but the issuer has committed to allocating proceeds for the purpose of achieving alignment, then the issuer should indicate a commitment or demonstrate (e.g. through a CapEx plan) that the activity will meet those requirements.

If the activity does not meet the performance requirements of the green TSC, all associated proceeds except those allocated to eligible decarbonisation measures for the activity will fall out of alignment with the taxonomy. It is expected that disclosure of this outcome is made to relevant market participants. Further detail on applying emissions intensity thresholds included in the green TSC is provided in Section 5.4 ».

5.2. Transition-classified activities

Transition TSC covering whole activities are only included for three activities, all in the Construction and Buildings sector: *E2. Acquisition and Ownership*, *E3. Renovation and Upgrades*, and *E4. Replacement of Major Plant and Equipment*.

For the most part, the same arrangements apply for these transition-classified activities as for green activities (explained in Section 5.1 »). However, a key difference relates to the sunset date attached to each transition-classified activity, after which the activity must meet the green TSC to remain taxonomy-aligned.

All proceeds to transition-classified activities must be allocated by the sunset date. After the sunset date, any unallocated proceeds must meet the green TSC to remain taxonomy-aligned.

The Australian Taxonomy's limited inclusion of transition-classified whole activities

Some taxonomies include a transition classification for whole activities with less stringent emissions performance requirements than their green-classified equivalent. In contrast, the Australian Taxonomy is selective in its incorporation and only includes transition-classified activities if there is a limited window where an activity can be considered aligned with a 1.5°C pathway.

The inclusion of the buildings sector activities as transition-classified reflects analysis that, for a limited time, high performing buildings with gas and electricity co-generation may perform in line with a 1.5°C pathway as the grid decarbonises.

The 2031 sunset date on the transition TSC marks the point at which grid-supplied electricity is projected to drop to an emissions intensity where all-electric buildings will outperform buildings with co-generation. At this point only the green TSC covering all-electric buildings will remain.

4 Where the activity is financed through a use-of-proceeds debt facility with multiple tranches, the latest maturity of that facility applies.

5.3. Decarbonisation measures

In contrast to whole activities that are green or transition-classified, decarbonisation measures comprise individual expenditures (e.g. for low-carbon technologies, fuels, practices).

Decarbonisation measures have been included in the Australian Taxonomy to ensure that entities with operating activities that (a) are eligible under the taxonomy, but (b) do not meet or seek to meet the performance requirements set out in green TSC, can access expenditures that bring the activities closer to alignment with a 1.5°C pathway.

The measures are generally intended for use for existing emissions-intensive activities with a stable or growing role in a 1.5°C aligned pathway.

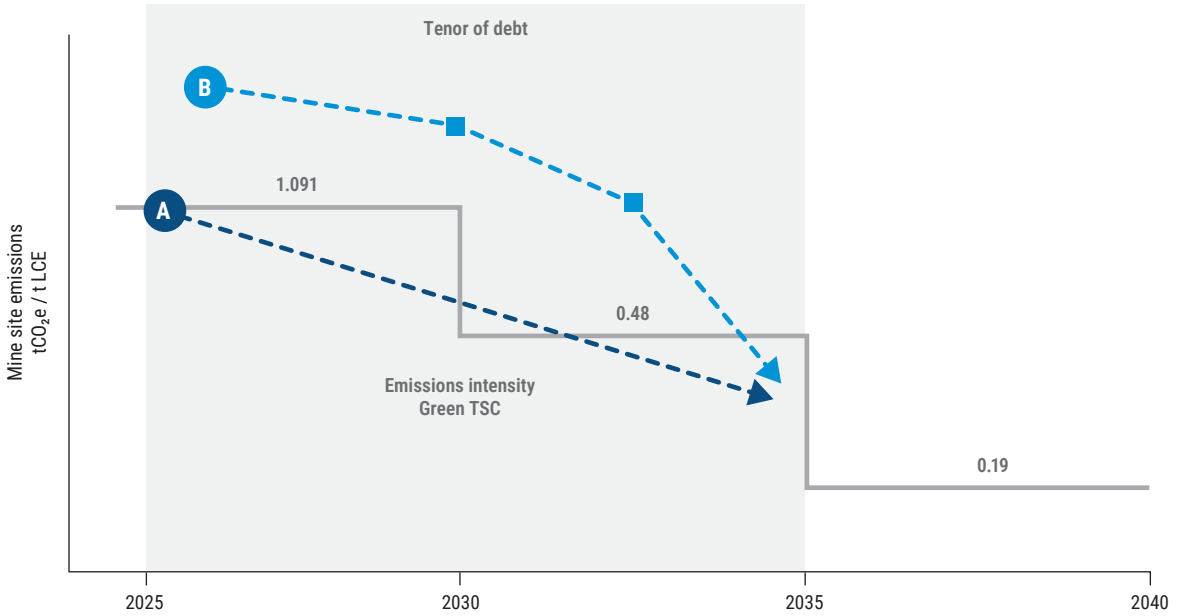
Where an activity does not meet the green TSC, the decarbonisation measures listed for that activity are the only expenditures that can be assessed as taxonomy-aligned.

Figure 3 provides an example of how the Australian Taxonomy treats eligible expenditures according to whether an activity aligns with the green TSC.

- In this example, two lithium companies, A and B, each issue a 10-year green bond to fund the upgrade and decarbonisation of their respective sites, in line with activity *B1. Lithium Ore Mining*.
- **Facility A** meets the green TSC (i.e. emissions intensity threshold). In this instance, the Australian Taxonomy does not stipulate the eligible expenditures that may contribute to the facility's ongoing alignment with the Australian Taxonomy provided they are consistent with the CapEx and/or OpEx parameters set out in **Section 3 »»**.
- **Facility B** does not meet the green TSC. In this case, only the specified decarbonisation measures are eligible as taxonomy-aligned expenditures for the purposes of the use-of-proceeds debt issuance.
- However, in this example **Facility B**, through the adoption of decarbonisation measures (blue squares denote implementation of measures), improves emissions performance by 2035 to a point where it is aligned with the green TSC. Subject to remaining aligned, Company B will then be able to issue another green bond in 2035 aligned with the green TSC.

FIGURE 3

Examples of taxonomy-aligned expenditures – lithium mine that meets green technical screening criteria vs. mine that accesses decarbonisation measures



5.4. Applying emissions and energy intensity thresholds

Emissions or energy intensity thresholds are key indicators used in green and transition TSC for whole activities to substantiate 1.5°C aligned performance, and can either apply to Scope 1 emissions, Scope 1 and 2 emissions, or lifecycle emissions as specified for each individual activity. The scope corresponds to the materiality of an activity's emissions.

Emissions or energy intensity thresholds are applied differentially depending on the activity. Table 5 summarises the modalities of how emissions intensity thresholds are applied in the Australian Taxonomy. Appendix 3.1 » maps the activities in Version 1 of the Australian Taxonomy to the different approaches.

TABLE 5

Different approaches to setting emissions and energy intensity thresholds

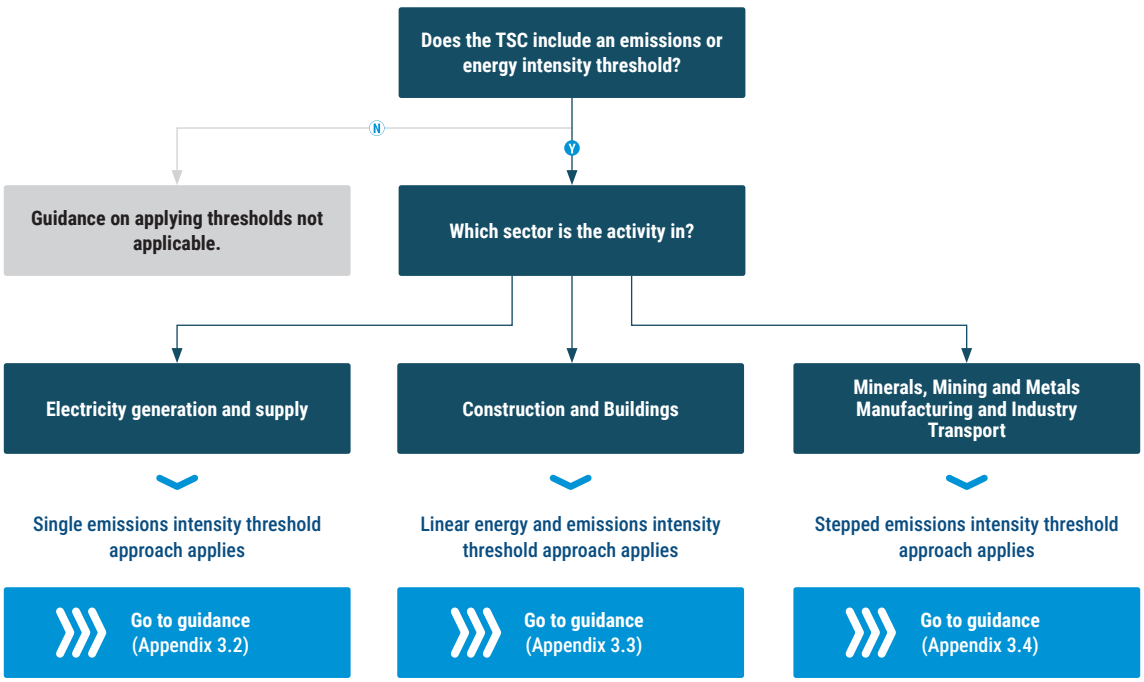
Approach	Summary
Single threshold	A static emissions intensity threshold that the activity must meet to claim taxonomy alignment. This approach is relevant to electricity generation activities.
Linear threshold decline	A declining energy or emissions intensity threshold that the activity must meet to be taxonomy-aligned. A key difference to the stepped threshold decline is that linear thresholds decline consistently, while the stepped thresholds decline periodically (i.e. every five or ten years). This approach is relevant to the Construction and Buildings sector.
Stepped threshold decline	A dynamic five or ten-yearly emissions intensity threshold decline that an activity must progressively meet to claim taxonomy alignment.

These approaches are applied differently for the purposes of demonstrating alignment of proceeds with the corresponding activities.

Figure 4 provides an overview of which sectors the approaches map to, and links to navigate to the corresponding guidance for applying each.

FIGURE 4

Navigating applicable emissions and energy intensity requirements



6. Applying Do No Significant Harm Criteria

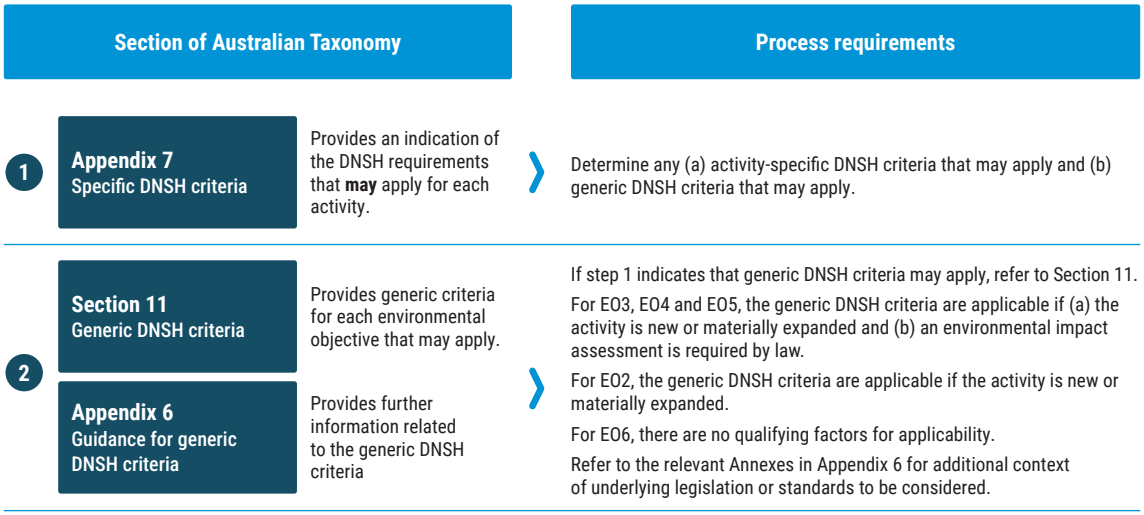
The DNSH criteria are designed to ensure that an economic activity that makes a substantial contribution to one environmental objective of the Australian Taxonomy does not cause significant harm to the other five environmental objectives.

Generic DNSH criteria are defined for each environmental objective. The specific DNSH criteria are defined for some activities where potential adverse environmental impacts are material, and those impacts are not covered by the overarching generic DNSH criteria.

6.1. Navigating Do No Significant Harm requirements in the Australian Taxonomy

For some activities, the Australian Taxonomy's generic and/or specific DNSH criteria may not apply. Figure 5 provides an overview of how to navigate the DNSH criteria in the Australian Taxonomy to inform this assessment.

FIGURE 5
Navigation and application of the specific and generic Do No Significant Harm criteria



6.2. Application of specific and generic Do No Significant Harm criteria

As illustrated in Figure 5, to determine alignment with DNSH criteria issuers should first refer to Appendix 7 of the Australian Taxonomy for an indication of the DNSH requirements that may apply for the relevant activity.

Appendix 7 of the Australian Taxonomy indicates where the generic DNSH criteria may be applicable and, for some activities, provides additional activity-specific DNSH requirements.

Appendix 7 of the Australian Taxonomy also indicates where the DNSH criteria is not applicable (N/A). This means that there are no specific or generic DNSH requirements that must be applied, as the potential adverse impacts are considered immaterial. In these cases, the DNSH criteria for the relevant environmental objectives can be considered satisfied.

If Appendix 7 of the Australian Taxonomy indicates that the generic DNSH criteria may apply, then users should assess the potential applicability by referring to the requirements set out in Section 11 of the Australian Taxonomy. Generic DNSH criteria apply only to activities that are *new or materially expanded* for all environmental objectives other than EO6.

For environmental objectives EO3, EO4 and EO5, the DNSH criteria will only apply to new or materially expanded activities and where required by appliable laws and relevant international standards (see Table 6).

TABLE 6

Preconditions for the application of generic Do No Significant Harm criteria

Environmental objective	Precondition
EO2: Climate change adaptation and resilience	Applied for new or materially expanded activities.
EO3: Biodiversity and ecosystem protection	Applied for new or materially expanded activities and where required by laws or international standards.
EO4: Sustainable use and protection of water resources	
EO5: Pollution prevention and control	
EO6: Transition to a circular economy	Applied for all activities.

Figure 6, through an example, provides an overview of the process issuers can take to assess the applicable DNSH criteria for a given activity.

FIGURE 6

Example – assessment of applicable Do No Significant Harm criteria for an electricity transmission and distribution project

Example

A transmission network service provider issuing a green bond plans to use proceeds to deliver a new project that will connect a renewable energy generation facility to the grid in Central NSW. The TNSP wants to align with Australian Taxonomy's DNSH requirements in addition to the TSC.

1 Check potential DNSH requirements		2 Determine applicable criteria
Issuer navigates to the DNSH requirements that may be applicable for the activity *D10. Transmission and Distribution* of Electricity in Appendix 7 of the taxonomy.		Issuer assesses the criteria that apply to the circumstances.
EO2: Climate change adaptation and resilience	Apply generic criteria.	**Applicable** – consistent with the condition that generic criteria applies where the activity is 'new or materially expanded'.
EO3: Biodiversity and ecosystem protection	Apply generic criteria. In addition, for underground powerlines: Avoid routings that would have a significant impact on marine and terrestrial ecosystems.	**Generic criteria applicable** – applies where the activity is 'new or materially expanded' and where required by laws or international standards. **Specific criteria not applicable** – no underground powerlines.
EO4: Sustainable use and protection of water resources	Not applicable.	**No generic or specific criteria applicable** – automatically assessed as aligned.
EO5: Pollution prevention and control	Apply generic criteria. In addition, for overhead high-voltage lines: • Respect applicable norms and regulations to limit impact of electromagnetic radiation on human health (e.g.1998 ICNIRP); • Do not use Polychlorinated Biphenyls.	**Generic criteria applicable** – applies where the activity is 'new or materially expanded' and where required by laws or international standards. **Specific criteria applicable** – the activity involves overhead high-voltage lines. Issuer to confirm compliance.
EO6: Transition to a circular economy	Apply generic criteria.	**Applicable** – issuer to demonstrate presence of waste management plan that ensures waste is identified, minimised and managed.

6.3. Evidencing alignment with Do No Significant Harm criteria

Given the DNSH criteria apply at an activity level, the entity undertaking the activity is responsible for providing evidence to demonstrate alignment.

Financial institutions and public agencies that issue labelled debt to finance activities are therefore dependent on information provided by the entity undertaking the activity. For issuers at arm's length of the eligible activity, compliance with DNSH requirements can be evidenced through existing internal or external environmental due diligence and risk management processes, policies or other safeguards in place to manage material environmental risks from counterparties.

The Green Bond Principles and Green Loan Principles recommend that issuers or borrowers have a clearly detailed process for project evaluation and selection to identify and manage perceived social and environmental risks associated with activities.

6.4. Alignment of Do No Significant Harm criteria with Australian laws and regulations

The DNSH criteria represent a minimum level of compliance with environmental laws and regulations in Australia and alignment with international benchmarks used by global capital markets, including the Equator Principles and IFC Performance Standards.

The generic DNSH criteria for the environmental objectives listed below align with existing Australian laws and regulations, including state, territory, and federal requirements to conduct an environmental impact assessment for an activity that is likely to have a significant environmental impact. Refer to Annex III of the Australian Taxonomy for further guidance on when an environmental impact assessment is required.

- EO3: Biodiversity and ecosystem protection,
- EO4: Sustainable use and protection of water resources, and
- EO5: Pollution prevention and control.

The generic DNSH criteria for EO5: Pollution prevention and control is also addressed by existing laws and regulations in Australia designed to mitigate environmental impacts arising from air, water, soil, noise, or chemical pollution. Refer to Appendix 6, Annex VII of the Australian Taxonomy for existing laws and regulations relevant to pollution prevention and control.

Generic DNSH criteria for EO2. Adaptation and resilience and EO6. Transition to a circular economy, go beyond what is required under existing local laws and regulation in Australia to align with commonly accepted international benchmarks. Refer to Section 11 of the Australian Taxonomy for generic DNSH criteria.

7. Applying Minimum Social Safeguards

The Australian Taxonomy's MSS criteria aim to ensure an organisation engaging in taxonomy-aligned activities adheres to key social protections and standards. The three pillars of the MSS criteria include (i) corporate governance, (ii) human rights, and (iii) First Nations people's rights and cultural heritage.

The taxonomy's MSS criteria represent compliance with Australian laws and regulations, with additional requirements in some cases to reflect international standards and best practice accepted by global capital markets, particularly for human rights, and First Nations people's rights and cultural heritage requirements. Refer to Appendix 8 of the Australian Taxonomy for further detail on the alignment of MSS criteria with international standards and frameworks.

7.1. Navigating the Minimum Social Safeguard requirements in the Australian taxonomy

The Australian Taxonomy's MSS criteria apply at the **entity level**, which refers to the entity that is undertaking the taxonomy-aligned activity. Figure 7 provides an overview of how to navigate the MSS criteria in the Australian Taxonomy to inform the assessment of alignment.

FIGURE 7
Navigation and application of Minimum Social Safeguards criteria

	Section of Australian Taxonomy		Process requirements
1	**Section 12** MSS criteria	Provides an overview of the MSS criteria	All MSS requirements apply at the entity level. The requirements for First Nations and Cultural Heritage apply at the entity level only where a relevant project or asset has a potential or actual impact(s) on First Nations rights or interests.
2	**Appendix 8** MSS guidance	Provides indicators and detailed guidance that can be used to determine alignment with the MSS criteria	Determine alignment with MSS criteria using guidance provided for each indicator, if applicable.

Applying the DNSH and MSS to retail lending

Where a product issuer is seeking to issue a retail lending or insurance product in alignment with the Australian Taxonomy for climate change mitigation (i.e. TSC for climate change mitigation) plus all applicable DNSH and MSS, alignment with the applicable DNSH and MSS criteria may be considered at a product level rather than at an individual transaction level.

7.2. Evidencing alignment with Minimum Social Safeguards criteria

Given the MSS criteria apply at an entity level, the entity undertaking the activity is responsible for providing evidence to demonstrate alignment.

Financial institutions and public agencies that issue labelled debt to finance entities undertaking taxonomy-aligned activities are therefore dependent on information provided by the entity undertaking the activity. For such issuers, compliance with MSS requirements can be evidenced through existing internal or external policies and practices that may exist as part of their own corporate governance framework to manage social risks of counterparties.

8. Grandfathering Provisions

Grandfathering provisions only apply to use-of-proceeds debt issuances, facility agreements or programs that are outstanding at the time an updated version of the Australian Taxonomy is published where the TSC of a relevant activity has changed.[5]

These provisions should be regarded as a minimum requirement and have been developed to ensure an adequate balance between flexibility and credibility. As such issuers may apply approaches that build on the provisions.

For a use-of-proceeds issuance outstanding when TSC for a relevant taxonomy-aligned activity and/or expenditure changes, all allocated and unallocated proceeds to that activity and/or expenditure will remain taxonomy-aligned until the maturity of the issuance.[6] Provided that the terms of the issuance remain unchanged, the Australian Taxonomy does not place limitations on mechanisms to increase the size of the grandfathered issuance funding the relevant activity and/or expenditure.

In the event the activity is refinanced in a subsequent issuance following the publication of updated TSC, taking into consideration the preceding paragraph, it must meet the TSC effective at the time it is refinanced.

Where applied to issuers that allocate proceeds from an issuance to finance a pool of activities:

i. Existing taxonomy-aligned activities in the pool (and/or expenditures associated with the activities) will remain taxonomy-aligned for the duration they are financed throughout an issuance. Where proceeds from multiple issuances (including any future use-of-proceeds debt lines issued following the Australian Taxonomy's update) are aggregated to fund the pool of activities and/or expenditures, this provision applies at the aggregate (i.e. program) level.
ii. Any new activity (and/or expenditures associated with the new activity) added to the pool following the publication of an updated version of the Australian Taxonomy must meet the TSC effective at the time the activity and/or expenditure is added.
iii. Where a grandfathered activity and/or expenditure in the pool is subsequently refinanced, it must meet the TSC effective at the time it is refinanced.

For an issuer with a program comprising conditions (i) and (ii), it is recommended that the application of grandfathering provisions is articulated as relevant where allocation reporting is undertaken.

Distinct grandfathering provisions are set out for transition-classified activities and electricity generation projects (see **Appendix 3.2 »**).

For a transition-classified activity with a sunset date, all proceeds to that activity must be allocated by the sunset date defined in the TSC without exceptions. Those proceeds will remain grandfathered for the duration of the issuance.

5 The provisions apply to instances where (1) TSC for green and/or transition-classified activities change, and/or (2) decarbonisation measures are revised or removed.

6 Where the activity and/or expenditure is part of a use-of-proceeds loan facility with multiple tranches, the grandfathering provision extends to the latest maturity within that facility agreement.

TABLE 7
Grandfathering provisions according to different scenarios

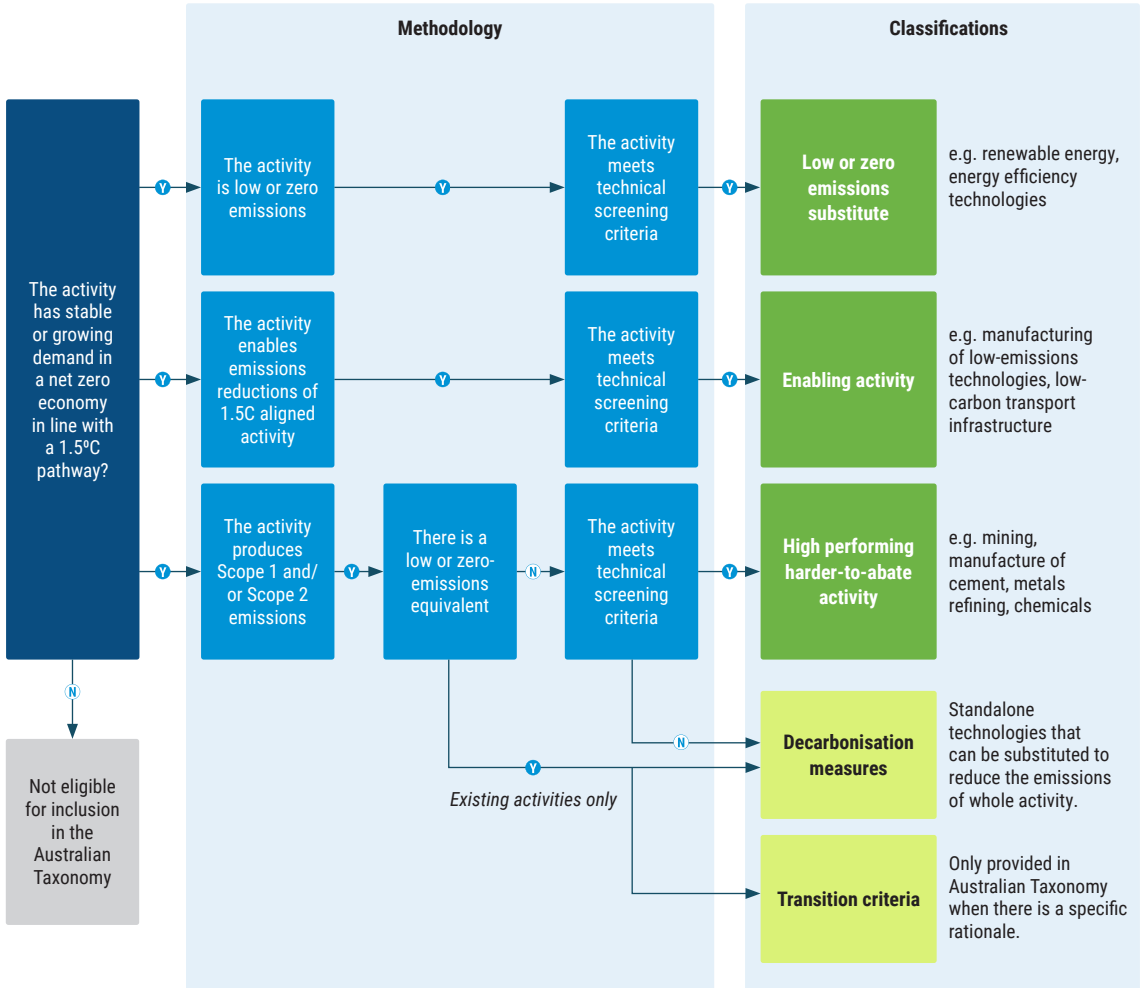
Example	Situation	Grandfathering provision
Example 1: A company issues a 10-year use-of-proceeds bond for a CapEx program to decarbonise a lithium mine aligned with the green TSC for *B1. Lithium Ore Mining*. Version 2 of the Australian Taxonomy is released, and includes revised TSC for the activity while the bond is still outstanding.	Some of the proceeds have been allocated to eligible expenditures under the CapEx program that are supporting alignment with green TSC, but some proceeds remain unallocated at the time of publication of Version 2 of the Australian Taxonomy.	The issuer can allocate remaining proceeds in line with green TSC from Version 1 of the Australian Taxonomy. The issuance remains taxonomy-aligned if the activity meets the green TSC from Version 1 of the Australian Taxonomy. If the company subsequently seeks to refinance the activity (e.g. through another issuance or loan facility) following the publication of Version 2, the green TSC effective at that time will apply.
Example 2: In 2026, a semi-sovereign agency issues a 2034 green bond aligned with Version 1 of the Australian Taxonomy. In 2028, Version 2 of the Australian taxonomy is released with revised TSC. In 2028 the agency issues a 2038 green bond following the release of Version 2 of the Australian Taxonomy.	The issuer notionally allocates proceeds to a pool of activities, including long-dated infrastructure projects aligned with the Australian Taxonomy's TSC. The activities are financed through multiple lines of use-of-proceeds debt. Following the publication of Version 2 the Australian Taxonomy the issuer adds a new activity to the pool.	Existing activities in the issuer's pool prior to the publication of Version 2 remain taxonomy-aligned and can be financed from the issuances maturing in 2034 and 2038. New activities added to the pool following publication of Version 2 are screened against updated TSC in Version 2. The application of grandfathering provisions is articulated in allocation reporting.

Appendices

Appendix 1: The Australian Taxonomy's Activity and Classification Methodology

Figure A1 illustrates the Australian Taxonomy's selection and classification process.

FIGURE A1
Transition methodology – classification of activities



The inclusion and classification of an activity in the taxonomy is determined by:

1. whether it has a stable or growing role in a post-net zero economy;
2. the availability of low and zero-emissions alternatives that produce the same output;
3. whether the activity's Scope 1, 2 and 3 emissions can be materially reduced, even if it is only economically feasible in the medium to long term; and
4. its contribution to directly reducing emissions or enabling the growth of zero-emissions technologies.

These filters are consistent with credible definitions and safeguards for mitigating the risks of carbon lock-in, as defined by the OECD and other leading guidance.

Whole activities can be classified as green or transition, as illustrated in the Australian Taxonomy's transition methodology. Harder to abate activities that do not meet the green TSC are not eligible for green classification but may access decarbonisation measures under the Australian Taxonomy.

Green classification

Green activities include activities that are low or zero-emissions substitutes for fossil fuel equivalents (e.g. renewable energy, electric vehicles), and harder-to-abate activities that are assessed as having a stable or growing role in line with a 1.5°C pathway and do not have a low or zero-emissions substitute (e.g. cement).

These activities include stringent TSC that generally specify 1.5°C aligned emissions intensity thresholds and other criteria that mitigate risks of carbon lock-in that must be met for a claim of alignment to be made.

Enabling activities are also classified as green and comprise infrastructure or manufacturing activities that directly enable the decarbonisation of other activities. Examples include the manufacturing of low-carbon technologies and infrastructure that facilitates low-carbon passenger and freight transport.

Enabling activities in the Australian Taxonomy are consistent with ICMA's Green Enabling Project Guidance, including but not limited to the principle that they should not lead to locking-in high emitting activities relative to other technologically feasible and/or commercially viable solutions.

Transition classification

Transition, by definition, refers to movement from one state or condition to another. As Version 1 of the Australian Taxonomy is focused on climate change mitigation, transition signifies the decarbonisation of emissions-intensive activities toward a point where their performance is more closely aligned with a 1.5°C pathway.

For this reason, transition TSC generally apply to entities seeking finance to decarbonise components of their economic activities, and are only available where the activity produces an output with a stable or growing demand profile in a post-net zero economy, and has material Scope 1 and 2 emissions.

Except in limited cases, transition classification is reserved for decarbonisation measures which are available for activities included in the Australian Taxonomy that do not meet the green TSC. Decarbonisation measures encompass eligible technologies, processes, practices, materials, and services that improve an activity's emissions performance, helping it approach green performance thresholds.

These measures apply when parts of an activity can be partially or fully substituted to significantly reduce Scope 1 and/or 2 emissions, though they do not render the entire activity green. Their purpose is to enable financing for decarbonising existing long-lived assets and facilities, progressing towards 1.5°C-aligned performance. Some measures also include materiality thresholds, specifying the minimum scale required for taxonomy alignment.

Measures are generally only included for harder-to-abate activities and have been prioritised based on their long-term viability as levers to materially reduce emissions.

Appendix 2: Differences between the Australian Taxonomy's classification and labelling in use-of-proceeds debt standards

ICMA's Climate Transition Bond Guidelines and APLMA, LMA and LSTA's Guide to Transition Loans ringfence "high emissions activities" as suited to transition-labelled instruments (see Table A1).

In contrast to this definition, the Australian Taxonomy is selective about the high-emissions activities that are included – i.e. activities are only eligible if they do not have a declining role in credible 1.5°C pathways – and reserves classification of activities as green subject to their performance aligning with a 1.5°C pathway. This is consistent with the treatment of such activities by a range of credible taxonomies including the European Union Taxonomy, Climate Bonds Initiative taxonomy and Singapore-Asia taxonomy.

TABLE A1
Transition debt guidelines – summarised definitions of transition (emphasis added)

Guidance	Definition
Climate Transition Bond Guidelines	"CT Projects are defined as including assets, investments and activities, early phase-out and decommissioning, and other expenditures such as R&D related to **high-emission activities** that lead to substantial and quantifiable GHG emissions avoidance, reduction, or removal" – p.3
Guide to Transition Loans	"Transition loans support the necessary, and often complex, investments that enable a shift from a high-emissions baseline toward longer-term net-zero compatibility. This may include CapEx, R&D, early decommissioning or replacement of **high emission assets** or activities" – p.10

Additionally, the decarbonisation measures included in the Australian Taxonomy under the transition classification span definitions of eligible green and transition projects in the equivalent sets of guidance by ICMA and APLMA, LMA and LSTA respectively. An example of this is energy efficiency expenditures, which are identified as suitable for green-labelled instruments in the Green Bond Principles and Green Loan Principles but are transition-classified decarbonisation measures for a range of activities in the Australian Taxonomy.

Appendix 3: Applying the Australian Taxonomy's emissions and energy intensity thresholds

Appendix 3.1: Emissions and energy intensity approaches mapped to Australian Taxonomy activities

Table A2 maps the activities in Version 1 of the Australian Taxonomy that the different approaches apply to.

TABLE A2
Mapping of Australian Taxonomy activities to emissions and energy intensity approaches

Approach	Applicable activities – Australian Taxonomy (V1)	
Single emissions intensity threshold	*D1. Energy Generation from Solar Photovoltaic (PV) and Concentrated Solar Power (CSP)* *D2. Energy Generation from Onshore and Offshore Wind* *D3. Energy Generation from Ocean Energy* *D4. Energy Generation from Hydropower* *D5. Geothermal Energy Generation* *D6. Energy Generation from Bioenergy*	
Linear emissions and energy intensity threshold decline	Energy: *E2. Acquisition and Ownership (green TSC)* Emissions: *E2. Acquisition and Ownership (transition TSC)*	
Stepped emissions intensity threshold decline	*B1. Lithium Ore Mining* *B2. Nickel Ore Mining* *B3. Copper Ore Mining* *B4. Iron Ore Mining* *C1. Refining of Copper, Lithium and Nickel* *C4. Manufacture of Hydrogen* *C5. Manufacture of Cement* *C7. Manufacture of Nitric Acid* *C9. Manufacture of Low-carbon Liquid Fuels*	*I4. Road Freight Transport – Rigid Vehicles* *I5. Road Freight Transport – Articulated Vehicles* *I9. Interurban Passenger Rail Transport* *I10. Freight Rail Transport* *I10. Freight rail transport* *I12. Maritime Passenger and Freight Water Transport*

Appendix 3.2. Applying a single emissions intensity threshold for use-of-proceeds debt issuances

For electricity generation activities, Version 1 of the Australian Taxonomy specifies a single emissions intensity threshold of 100g CO2e/KWh on a lifecycle basis, consistent with other credible taxonomies.

The Australian Taxonomy specifies that some activities, notably solar and wind power generation, are automatically aligned due to high confidence that the activities meet this threshold.

The 100g threshold may be subject to change in future versions of the Australian Taxonomy. In this event, electricity generation activities aligned with the emissions intensity threshold (and specific ineligible cases) specified in Version 1 that have reached final investment decision (FID) by 31 December 2029 will remain taxonomy-aligned even if the TSC are updated in a subsequent version of the Australian Taxonomy.

For the purpose of issuing use-of-proceeds debt to these activities, if the TSC are updated in a future version of the Australian Taxonomy, all proceeds to finance electricity generation activities that meet the TSC of Version 1 of the Australian Taxonomy and reach FID by 31 December 2029 will remain taxonomy-aligned until maturity (defined as specified in the grandfathering provisions).

Consistent with the grandfathering provisions set out in Section 8 », if the activity is subsequently refinanced it must meet the TSC applicable at the time it is refinanced.

Table A3 demonstrates how this applies.

TABLE A3
Application of single emissions intensity thresholds for different scenarios

Example	Outcome
Renewable energy generation project: • Reaches FID before 2030. • Meets TSC in Version 1 of the Australian Taxonomy. • Proceeds of green bond issuance in 2030 are used to finance the construction of the activity. • By this time the emissions intensity threshold has been updated in Version 2 of the Australian Taxonomy, published in 2028.	The activity and all proceeds will remain taxonomy-aligned until maturity. If subsequently refinanced, the activity should be assessed against the TSC in Version 2 of the Australian Taxonomy.
New renewable energy generation project: • Reaches FID in 2030 • Green loan issued in 2030 to finance the project's development. • By this time the emissions intensity threshold has been updated in Version 2 of the Australian Taxonomy, published in 2028.	The project must align with the updated emissions intensity threshold (if revised) in Version 2 of the Australian Taxonomy.

Appendix 3.3. Applying linear emissions and energy intensity thresholds for use-of-proceeds debt issuances

Emissions intensity thresholds

The transition TSC for *E2. Acquisition and Ownership* in the buildings sector is the only activity that a linear declining emissions intensity threshold applies to. The transition TSC has a sunset date of 1 July 2031.

For this activity, compliance can be demonstrated through either:

a. the use of location-specific emissions intensity targets specified in the Australian Taxonomy's Buildings sector Emissions and Energy Intensity Targets calculator (Buildings Calculator – Attachment A); or
b. proxies identified in the TSC for *E2. Acquisition and Ownership* in the Australian Taxonomy.

For issuers following option (a), the asset must achieve an average emissions intensity performance consistent with an emissions intensity target. This target is the threshold corresponding to the mid-point of the debt tenor. The emissions intensity thresholds can be accessed for different building types and locations in the Buildings Calculator.

The performance target can be met in one of two ways throughout the tenor of the debt. A building that already meets the mid-point threshold at point of issuance will remain taxonomy-aligned throughout the tenor if its performance is maintained or improves.

A building that does not meet the emissions intensity target at the time of issuance may still be considered taxonomy-aligned if its performance improves such that the average performance over the life of the debt is equivalent to the target.

Emissions intensities reported throughout the tenor of the debt are to be based on actual figures effective at that point in time so the contribution of the declining emissions intensity of supplied electricity can be accounted for.

The portfolio approach specified in CBI's building criteria can also be applied to demonstrate taxonomy alignment for a portfolio of buildings.

Energy intensity thresholds

The green TSC for *E2. Acquisition and Ownership* in the buildings sector is the only activity an energy intensity threshold applies to.

The same methods apply as for the transition TSC: namely using (i) the Australian Taxonomy's Buildings sector Emissions and Energy Intensity Targets calculator or (ii) proxies.

In contrast to the emissions intensity thresholds for the transition TSC, the energy intensity target in the green TSC (which applies for all-electric buildings only) is flat. This means a building that meets the energy intensity target at the time of issuance will remain taxonomy-aligned for the duration of the issuance subject to maintaining alignment. For a building that does not meet the target, its performance on average over the tenor must meet the target to be assessed as taxonomy-aligned.

Appendix 3.4. Applying stepped emissions intensity thresholds in use-of-proceeds debt issuances

Emissions intensity thresholds that decline over 5 to 10-year increments have been adopted for a range of activities in the Mining, Manufacturing and Industry, and Transport sectors.

The thresholds have been derived from credible global and/or local Paris-aligned pathways to net zero and generally apply to activities where low or zero-emissions alternatives are not yet commercially mature or readily deployable. These activities also include additional requirements to mitigate risks of carbon lock-in and adverse fuel and feedstock-related impacts.

Distinctly to the linear emissions intensity threshold approach, the 5 to 10-year increments are stepped. This reflects that emissions reductions for such activities are generally achieved through expenditures and upgrades of significant scale on longer CapEx program timelines.

Issuers aligning proceeds with activities in the Australian Taxonomy with TSC that include stepped emissions intensity thresholds must satisfy one of the conditions in Table A4.

TABLE A4

Applying stepped thresholds – existing and new activities

Existing activities	1. One of the following conditions A or B must be met: A. The activity meets the emissions intensity threshold effective at the time of issuance. For issuances between 2025 and 2029, for example, the asset must meet the emissions intensity threshold specified for 2025 at the time of issuance; or B. The issuer makes a commitment and/or provides evidence (e.g. CapEx plan) that the activity will meet the emissions intensity threshold corresponding to the mid-point of the debt tenor. 2. The activity meets the emissions intensity threshold corresponding to the mid-point of the debt tenor. For example, for a green bond issued in 2029 with a tenor of 12 years, the target threshold that the activity must meet to align with the green TSC is the emissions intensity threshold 'step' that applies in 2035. An activity that meets the emissions intensity threshold 'step' corresponding to the mid-point of the debt tenor at the time of issuance can be assessed as aligned with the requirements if its performance remains consistent or improves.
New activities	For planned physical assets, the issuer should either make a commitment or demonstrate that once operational the asset will perform at a level consistent with the emissions intensity threshold applicable at the mid-point of the debt tenor.

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