

Green metals

A Future Made in Australia: Unlocking Australia's Green Iron, Steel, Alumina and Aluminium Opportunity

Australian Sustainable Finance Institute | July 2024

About ASFI

The Australian Sustainable Finance Institute (ASFI) is a not-for-profit organisation committed to realigning the Australian financial system to be sustainable, resilient, and inclusive. ASFI's members are large Australian financial institutions – including major banks, superannuation funds, insurers, asset managers, and financial services firms – that support ASFI's mission. ASFI members collectively hold over AU\$22 trillion in assets under management and are committed to allocating capital in a way that creates positive social and environmental outcomes.

Introduction

ASFI welcomes the opportunity to respond to the Department of Industry, Science and Resources' consultation on green metals. By developing a leading green metals industry, Australia has a considerable opportunity to strengthen its long-term economic prospects, become a key player in the transition to net zero, and contribute meaningfully to global decarbonisation efforts.

To realise this opportunity, significant flows of investment and finance – together with a coherent policy approach that brings in key stakeholders – will be needed. Our submission therefore focuses on:

- the role of finance and investment in realising Australia's green metals opportunities
- the importance of credible standards to drive this finance and investment, and ensure aligned approaches by the public and private sectors, and
- the need to elevate First Nations perspectives and considerations as part of the Australian Government's policy agenda in relation to green metals.

Summary of recommendations

1. Align eligibility criteria for public funding under the Future Made in Australia package and related mechanisms with standards being developed to support private finance and investment for Australia's net zero transition, notably via the Australian sustainable finance taxonomy. This includes:
 - i. Adopting credible, science-based standards that support decarbonisation across the green metals value chain
 - ii. Distinguishing between 'green' and 'transition' activities where appropriate
 - iii. Properly taking into account broader social and environmental considerations.
2. Elevate First Nations as a unique stakeholder in policies relating to green metals and Future Made in Australia and implement the principles of Free, Prior and Informed Consent (FPIC)
3. Invest in building the cultural capability of Government and industry to better partner with First Nations businesses and communities
4. Invest in building the technical capability of First Nations businesses and communities to participate fully in green metals opportunities
5. Support mobilisation of capital to enable First Nations businesses to contribute to the green metals opportunity
6. Support development of disclosures by business and Government on their engagement with and impacts on First Nations communities – including as part of eligibility criteria for grants, credits and incentives under the Future Made in Australia vision

The role of finance and investment in realising Australia's green metals opportunity

Relevant aspects of DISR's consultation paper

- Q18: What are the best examples of a 'green premium' being established for low emissions products? What actions could improve demand for these products?
- "We are interested in better understanding the factors influencing investment decisions in Australia and globally".

As noted in the consultation paper and other announcements regarding the Future Made in Australia package, unlocking private finance at scale will be essential to realising Australia's green metals opportunity and broader net zero transition. Investors, lenders and insurers are increasingly looking for opportunities to finance businesses and projects that contribute to decarbonisation objectives. The emergence of 'green' and 'sustainable' finance products, many of which offer a discount on traditional finance¹, is evidence of this appetite.

Strong policy settings are key to supporting and further stimulating this appetite. These include: ambitious national-level decarbonisation targets (i.e. Australia's Nationally Determined Contributions); effective policies to support decarbonisation at a sector-level; initiatives to promote corporate transparency and action on climate, for example through mandatory climate disclosures; ensuring that broader financial regulation is aligned with climate transition objectives (for example in areas such as competition law, superannuation performance tests, and bank capital requirements); and streamlining project approvals and permitting. There is also an important role for demand side measures such as government procurement standards and targets, which help set the industry standard and create "pull-through" for finance and investment in green products.

Additionally, green finance to incentivise sustainable value chains in the production of green metals is currently stymied by lack of agreed definitions globally for what constitutes a 'green' or 'transition' activity. This is particularly relevant in the context of mining, which despite being a key part of the green metals value chain, is seen by some as an unsustainable activity. As a global supplier of raw material in the green metals value chain, Australia has an opportunity, through the creation of credible standards through our sustainable finance taxonomy, to establish itself not only as a leading global supplier of green metals, but as a leader in sustainability across the green metals value chain. This will unlock further capital upstream and uniquely position Australia as a sustainable green metals producer across the full value chain.

Sustainable finance taxonomies form a critical part of market and regulatory architecture for sustainable finance by providing consistent, scientifically rigorous standards to evaluate sustainable economic activities. These standards can be applied to the labelling of financial instruments and products and help guide strategic asset allocation decisions.

With support from the Australian Government and significant finance sector and industry input, ASFI is [leading the development](#) of Australia's sustainable finance taxonomy. The taxonomy will cover six priority sectors² and will see Australia being the first jurisdiction globally to develop comprehensive standards that define how mining, minerals and metals activities can be assessed as "green". It does so by using internationally recognised and credible 1.5° C-aligned scenarios to determine greenhouse gas emissions performance thresholds, and setting out strong environmental and social performance standards more broadly through 'Do No Significant Harm' and 'Minimum Social Safeguards' criteria³. The taxonomy will also define credible investment

¹ See, e.g., research from the Climate Bonds Initiative: [32% of Green Bonds Achieved a Greenium in the First Half of 2023 | Climate Bonds Initiative](#) and the US Federal Reserve: [The Green Corporate Bond Issuance Premium \(federalreserve.gov\)](#)

² The six priority sectors are electricity generation and supply (energy); minerals, mining and metals; construction and the built environment; manufacturing/ industry; transport; and agriculture.

³ This includes addressing environmental impacts (e.g. biodiversity, water and pollution), stronger engagement with Indigenous communities, and embedding circularity principles. These standards will be developed in the second half of 2024.

pathways for mining and industrial activities to be able to transition to become green – i.e. will include a ‘transition’ label as well as a ‘green’ label.

Of particular relevance to DISR’s green metals consultation paper, the Australian taxonomy will cover various points of the supply chains for key green metals, including iron ore⁴:

- for the ‘mining, minerals and metals’ sector, the taxonomy includes green and transition standards for activities that reduce emissions associated with extraction; and
- for the ‘manufacturing and industry’ sector, the taxonomy will provide standards for processing and refining, and production of iron and steel, along with alumina and aluminium⁵. This is significant given steel is an essential component in almost all modern technologies and infrastructure (including those that are needed for the clean energy transition) and there are currently no viable substitutes.

The taxonomy will be a valuable tool for various entities in the green metals sector. For financial institutions, reference to taxonomy standards can provide certainty that the activities they are financing are contributing to decarbonisation (and other sustainability) objectives⁶, helping them to meet their own sustainable financing targets and avoid regulatory scrutiny in relation to greenwashing. It can also provide comfort to non-financial stakeholders (both in Australia and abroad) who are paying increased attention to sustainability credentials across their value chains. In turn, for miners and processors, reference to taxonomy standards not only increases the ability to attract green and transition finance, but also provides a credible basis to sell into international markets with a green premium and avoid the application of tariffs such as the EU carbon border adjustment mechanism.

There is strong potential for the Australian sustainable finance taxonomy to drive both supply and demand side actions in the green metals opportunity and underpin required flows of public and private finance. This is explored in more detail in the next section.

⁴ The taxonomy will also cover lithium, copper and nickel.

⁵ See draft standards for iron ore, currently out for public consultation [here](#).

⁶ Financiers are increasingly looking holistically at sustainability objectives. As set out above, the taxonomy will also establish ‘Do No Significant Harm’ standards for other sustainability objectives and Minimum Social Safeguards standards.

Potential application of the Australian sustainable finance taxonomy

Relevant aspects of DISR's consultation paper

- Q3: *What practices are used to verify and measure green metals? What are the limitations of these approaches?*
- Q26 (supply-side incentives): *What eligibility thresholds would be appropriate to access production incentives?*
- *Demand side actions (e.g. rating tools and standards)*
- Q33: *Are there any other issues or opportunities that can be addressed to unlock an Australia green metals industry?*

As noted in the previous section, the Australian sustainable finance taxonomy will establish a credible industry benchmark for 'green' and 'transition' finance – helping to channel private finance towards green mining and related activities required for Australia's transition. The taxonomy is being developed through a rigorous technical and consultation process involving experts across finance, industry, climate and decarbonisation, and social domains (including First Nations). The full six sector taxonomy for climate mitigation will be complete by 31 December 2024.

In developing the Future Made in Australia policy framework for green metals, the Government should seek to align with the Australian taxonomy. This will:

1. help ensure Government approaches are credible and science-based, promoting meaningful decarbonisation across the green metals value chain
2. align the approaches of the public and private sectors (in particular definitions of 'green' and 'transition'), sending consistent signals to Australian miners and value-adding entities and enabling them to differentiate their products and access green finance and premiums in global markets
3. ensure that implementation of the Future Made in Australia package properly takes into account broader social and environmental objectives other than decarbonisation.

Recommendation 1 - Align eligibility criteria for public funding under the Future Made in Australia package and related mechanisms with standards being developed to support private finance and investment for Australia's net zero transition, notably via the Australian sustainable finance taxonomy. This includes:

- i. Adopting credible, science-based standards that support decarbonisation across the green metals value chain***
- ii. Distinguishing between 'green' and 'transition' activities where appropriate***
- iii. Properly taking into account broader social and environmental considerations.***

Government funding to support green metals

When considering allocation of public finance (e.g. via production tax incentives; grants issued by ARENA; and financing provided by the National Reconstruction Fund, Export Finance Australia and others), the taxonomy can be used to inform eligibility for funding. This will ensure public finance is based on credible, science-based and industry-endorsed criteria – and will also align public and private finance approaches.

For the purposes of the taxonomy, value chain activities will be considered 'taxonomy aligned' if they meet the standard set for 'green' or 'transition'. For example, in mining the taxonomy sets out two standards – a green mining standard (a high bar intended to allow entities to differentiate green production from others), and a transition standard, intended to channel finance to support

Paris-aligned decarbonisation over time⁷. It may be appropriate for different types of public funding to distinguish between these two standards. For example:

- to qualify for a hypothetical production tax credit for green steel, it could be reasonable to require an entity to demonstrate alignment with the taxonomy's standard for 'green' steel manufacturing (i.e. including both emissions intensity requirements and Minimum Social Safeguard and Do No Significant Harm criteria⁸, and
- to qualify for a grant from ARENA or public finance from EFA for specific decarbonisation activities that support an entity's transition to green mining, those activities could meet the 'transition' standard under the taxonomy.

Expansion of the Guarantee of Origin scheme

We understand the Government is considering expanding its Guarantee of Origin Scheme to green metals. ASFI is developing the taxonomy in close consultation with relevant parts of the Government and will seek to ensure that the Guarantee of Origin Scheme and taxonomy are aligned. This includes ensuring that the taxonomy is consistent with requirements set out in the EU's Carbon Border Adjustment Mechanism and other relevant global standards. Although details about the Government's scheme's design as it may pertain to green metals have not yet been made public, the intention for the scheme to "certify the emissions intensity of green metals"⁹ implies that the scheme will seek to verify and incentivise reductions in emissions intensity across the value chains. The taxonomy's modular approach to the value chain for green metals is aligned to this objective, and we welcome further engagement from Government (including DISR) on this.

Integration of broader environmental and social objectives

Finally, in implementing funding and policies as part of the green metals vision (including as part of 'Community Benefit Principles' under Future Made in Australia arrangement), Government can draw on the approach developed in the taxonomy that ensures that social and environmental considerations other than decarbonisation form part of eligibility to be classified as 'green' or 'transition'.

For example, the 'Do No Significant Harm' criteria will ensure protections around biodiversity, water and pollution; while the Minimum Social Safeguards standards will cover requirements in relation to corporate governance, human rights, First Nations engagement (including the principles of Free, Prior and Informed Consent), and protection of Indigenous heritage. The approach in the taxonomy provides a useful model for incorporation of minimum performance standards in areas such as First Nations. ASFI considers that the Government should draw on or reference these standards in establishing rules to underpin FMIA's Community Benefit Principles, where relevant. The following section of this submission sets out additional recommendations for ensuring more meaningful participation by First Nations communities.

⁷ The draft green standards cover both on-site operational emissions reduction measures (e.g. fuel switching and electrification measures) and scope 3 standards. The latter require a mine site to have an offtake agreement with a steel producer that either ensures a proportion of the iron ore is used for low-carbon steel production, or that the offtake partner is reducing steel production emissions in line with a 1.5C pathway. By contrast, the transition standards, which may be more feasible in the short to medium-term, require that the site is implementing operational decarbonisation measures at a scale that exceeds 50% of scope 1 emissions, that the entity has a transition plan covering all scopes, and a commitment to reduce scope 3 emissions by over 25% by 2030 and 100% by 2050.

⁸ Ideally, and if seeking to provide consistent approaches across Government to support net zero objectives, the criteria would require meeting 'green' or 'transition' standards

⁹ [Investments to position Australia as a world leader in green metals production | Department of Industry Science and Resources](#)

The need to elevate First Nations perspectives and considerations

Relevant aspects of DISR's consultation paper

- *Views on principles for community benefit sharing and how this might apply to the green metals industry*
- *Q10 - How can the government support industry to enable communities and workers to share in the benefits of transitioning to green metals?*
- *Q11: Are you aware of case studies where private companies have established community benefit sharing with communities, and whether this has worked particularly well or poorly?*

In-line with recommendations outlined by the finance sector in the Australian Sustainable Finance Roadmap¹⁰, ASFI is committed to elevating First Nations peoples, perspectives and outcomes in everything we do. ASFI welcomes the consultation paper's acknowledgement that communities and workers are an important part of developing new green industries, and the inclusion of First Nations in the Future Made in Australia's Community Benefit Principles.

First Nations communities must be central to Australia's green metals vision and given specific focus in Government policy. Reasons for this include:

- The fact that Australia's road to net zero is via the Indigenous estate and will therefore require meaningful and equitable agreements with Traditional Owners
- Increasing expectations (especially from large investors critical to Australia's transition) around engagement and partnerships with First Nations communities, and associated risks to capital flows from not properly engaging with First Nations people
- The significant opportunity, as part of Australia's broader reconciliation agenda, to involve First Nations businesses and communities in the opportunities presented by green metals and the climate transition.

In addition to incorporation of First Nations engagement and inclusion standards in eligibility criteria for public funding (such as those being developed in the Australian sustainable finance taxonomy), we have set out below additional recommendations to ensure more substantive and meaningful participation of First Nations communities in the green metals vision.

Recommendation 2 - Elevate First Nations communities as a unique stakeholder group and implement FPIC principles

First Nations people represent a unique stakeholder group in Australia due to their distinct culture, history, and authority to hold Native Title. Recognizing them specifically in Government policies and programs responds to these factors, as well as growing investor expectations globally around proper engagement with Indigenous peoples¹¹. It also helps to better realize opportunities for shared economic benefits and reconciliation as part of the green metals vision.

An important way to do so is by integrating Free, Prior, and Informed Consent (FPIC) and key principles from the United Nations Declaration on the Rights of Indigenous People (UNDRIP) into government policies relating to the green metals vision. Specifically, Articles 3, 18, 19, 26, and 32 emphasise the rights to self-determination, participation in decision-making, FPIC, control over lands and resources, and determining development priorities. Embedding these principles ensures that First Nations people have a decisive voice in actions affecting their lands and lives, strengthening the commitment to recognising and protecting their autonomy, culture, and traditions.

Enhanced coordination among Government entities involved in the green metals opportunity will also be required to effectively elevate First Nations perspectives and participation. This includes

¹⁰ ASFI, Australian Sustainable Finance Roadmap, [The Roadmap — ASFI](#)

¹¹ See more under Recommendation 3.

the Department of Industry, Science and Research (DISR), the Net Zero Economic Authority (NZE), Treasury, Department of Climate Change, Energy, Environment and Water (DCCEEW), and the National Indigenous Australians Agency (NIAA), among others.

Recommendation 3 - Invest in building the cultural capability of Government and industry to engage and partner with First Nations businesses and communities

Government and industry must prioritise cultural capability building to foster long-term, equitable partnerships with First Nations communities. This involves dedicating resources and effort to enhance the cultural understanding and competencies of those involved in collaborations with First Nations businesses and communities. First Nations communities must typically educate their government and industry counterparts about their language, protocols, and custodianship principles. This responsibility should be more evenly distributed. By investing in cultural capability building, stakeholders can create a foundation for partnerships that are not only sustainable but also respectful and mutually beneficial.

Inspiration can be drawn from developments in the private sector in relation to engagement with First Nations. Investors increasingly demand transparency and ethical conduct from the companies and projects they invest in, particularly concerning the treatment of First Nations communities. This is evidenced in work such as the [Dhawura Ngilan Business and Investor Initiative](#) (a partnership between RIAA, the First Nations Heritage Protection Alliance and the Global Compact Network of Australia)¹², as well as guides by ACSI¹³ and the First Nations Clean Energy Network¹⁴ on how to engage with First Nations communities.

Recommendation 4 - Invest in building the technical capability of First Nations businesses and communities to participate fully in the green metals opportunity

First Nations participation in green metal and the Future Made in Australia vision will be particularly beneficial given longstanding knowledge in relation to climate and nature. We recommend government provide funding for strategic business advisory services for First Nations businesses to participate in green metals opportunities. These services are pivotal in guiding First Nations enterprises through complex market landscapes and regulatory environments, ensuring they can maximise their commercial potential. By providing tailored advice on business planning, market entry strategies and compliance, strategic business advisors equip First Nations entrepreneurs with the tools necessary for long-term success. These advisory services also help bridge the gap between traditional knowledge and contemporary business practices, facilitating the integration of cultural values into business models that appeal to a broader market. This integration not only preserves cultural integrity but also enhances the market uniqueness of First Nations businesses, increasing their competitiveness.

We note that capability building should also recognise the diversity among First Nations communities, with educational and training programmes tailored to each community's needs and stages. These programmes are crucial for equipping communities with relevant industry knowledge, thus enabling them to make informed decisions based on the principles of Free, Prior, and Informed Consent (FPIC).

Government can also support industry-led initiatives to support First Nations businesses. For example, ASFI is currently seeking to incubate an Australian First Nations-led and controlled organisation to support Traditional Owners in negotiating equitable agreements for major projects on their lands. This is inspired by the [First Nations Major Projects Coalition](#) (FNMPC) Canada. The goal is to ensure these projects respect First Nations rights, provide collective community benefit, and reflect the community's desires. ASFI's will develop this in partnership with a coalition of First Nations consultants and our role will be to support the resourcing, entity creation, fundraising and

¹² Investor Toolkit on Indigenous Peoples' Rights and Cultural Heritage Protection.

¹³ ACSI has published research and a [practical guide](#) for companies to establish investor expectations for companies that engage with First Nations People.

¹⁴ See guide from FNCEN, the Clean Energy Council and KPMG, [New First Nations engagement guide for the renewables industry - First Nations Clean Energy Network](#)

network development. This project is in the early stages and requires long-term funding partners to support its incubation and establishment. We welcome the opportunity to discuss how Government could partner with ASFI on this.

Recommendation 5 - Support mobilisation of capital to enable First Nations businesses to contribute to the green metals opportunity

Mainstream finance often fails to adequately reach the First Nations business sector, highlighting the need for tailored approaches that align with the unique needs and circumstances of the First Nations economy. ASFI acknowledges the critical roles of Indigenous Business Australia (IBA) and the Indigenous Land and Sea Corporation (ILSC) in supporting economic opportunities for First Nations businesses. As the First Nations business sector continues to grow, it is essential to enhance existing financial frameworks. This may involve expanding the functions or capital-raising capacities of current institutions or establishing new ones to bring more support to First Nations businesses.

Australia could benefit from implementing a framework similar to Canada's First Nations Fiscal Management Act (FMA). This framework, crafted by First Nations leaders, is designed to boost the revenue-generating abilities of their communities, and facilitate access to capital markets for long-term financing of essential infrastructure and other community projects. The Indigenous Loan Guarantee Program in Canada is another strong model we recommend the Government consider to unlock capital for First Nations businesses.¹⁵

There is also a role for Commonwealth Investment Vehicles such as the Clean Energy Finance Corporation (CEFC), National Reconstruction Fund (NRF) and Export Finance Australia (EFA) - which support the deployment and management of significant infrastructure projects – to prioritise First Nations businesses in the green metals vision. This also applies to government grant programs supporting the Future Made in Australia vision, including those managed by the Australian Renewable Energy Agency (ARENA). These bodies are uniquely positioned as government-owned and funded catalytic investment vehicles, enabling them to set emerging market norms for engaging and investing with First Nations Australians across green metals related opportunities.

To reinforce this approach, Government should require that bodies such as CEFC, NRF, EFA and ARENA include a robust application of FPIC and explicit First Nations disclosures when assessing projects. Criteria could include:

- the extent of ownership by First Nations of the project,
- whether Traditional Owners have been afforded a right of Free, Prior, and Informed Consent,
- the degree of engagement with Traditional Owners,
- the extent to which the investment will deliver economic or social benefits for First Nations.

The Northern Australian Infrastructure Facility provides an example of how this can be implemented, by mandating that all funded projects have a strategy setting out objectives for Indigenous participation, procurement and employment¹⁶.

Recommendation 6 - Support development of disclosures by corporates and Government on their engagement with and impacts on First Nations communities

At present, there is no nationally consistent framework for organisations to report the impacts of major projects or corporate activity on First Nations communities. Supporting development and implementation of First Nations disclosures as part of Australia's green metals vision would have several benefits.

First, disclosures would respond to growing investor and stakeholder demands for high-quality, comparable information on how businesses and financial institutions interact with First Nations peoples and communities. Second, they would facilitate better data collection and analysis at

¹⁵ [Blog: Federal loan-guarantee program coming, and welcome - First Nations LNG Alliance \(fnlngalliance.com\)](https://www.fnlngalliance.com/blog/federal-loan-guarantee-program-coming-and-welcome-to-first-nations-lng-alliance/)

¹⁶ See: [NAIF's Indigenous Engagement Strategy Guidelines](#)

scale, enhancing understanding of First Nations-related risks, opportunities, and outcomes, and ultimately support better investment risk management and stronger outcomes for First Nations Australians. Third, they would be a transformative step towards elevating First Nations impacts and outcomes into the Australian economy and would also serve as a model for other sectors critical to Australia's climate transition.

The importance of disclosures is underscored by the successful evolution of climate disclosures, which have significantly influenced how environmental considerations are integrated into corporate strategies. By adopting a similar approach for First Nations disclosures, we can expect a substantial shift in how corporations consider and address First Nations issues, making them a core aspect of business and financial strategies. ASFI is currently leading a First Nations Disclosure project in collaboration with our First Nations Reference Group. This project aims to establish clear, industry-wide standards and guidance for reporting on aspects such as the integration of FPIC, employment, leadership, customer outcomes, and the economic, social, and cultural impacts on First Nations businesses and organisations. We welcome the opportunity to discuss how the Government might collaborate with ASFI on this project.

Appendix:

Additional information on the Australian sustainable finance taxonomy project

In July 2023, the Australian Sustainable Finance Institute (ASFI), in partnership with the Department of Treasury, commenced the initial development phase of the Australian sustainable finance taxonomy. The taxonomy's development forms part of the Government's broader sustainable finance agenda to mobilise private capital towards net zero emissions, Australia becoming a renewable energy superpower and other key sustainability goals.

The core purpose of the Australian sustainable finance taxonomy is articulated in the Terms of Reference between ASFI and the Council of Financial Regulators Climate Working Group (CWG) that govern the initial development phase¹⁷. It states the taxonomy's purpose is to "support the mobilisation of private finance toward sustainable activities, provide a foundation for further regulatory measures to address greenwashing and promote transparency." Taxonomies can help guide the flow of capital towards sustainable activities and assets by providing clarity for financial institutions as to what constitutes 'sustainable', or taxonomy aligned.

Climate change mitigation has been identified as the priority objective in the Australian taxonomy's initial development phase. This is due to the market's urgent need for credible and usable guidance on the types of activities that align with an Australian net zero transition pathway, and to support interoperability with international taxonomies that also prioritise mitigation.

However, in this initial development phase the full taxonomy framework will be developed including identifying and defining all key environmental objectives of the taxonomy (see **Figure 2**). During this phase, climate mitigation standards will be developed for green and transition activities while "Do No Significant Harm" (DNSH) standards will be developed for the other environmental objectives defined in the taxonomy, including adaptation and resilience. Minimum Social Safeguards (MSS) will also be incorporated. The DNSH and MSS standards aim to ensure climate mitigation activities do not undermine Australia's other sustainability and social goals¹⁸.

The climate mitigation standards for green and transition activities will cover up to six of the below priority economic sectors:

- electricity generation and supply (energy)*;
- minerals, mining and metals*;
- construction and the built environment*
- manufacturing/industry;
- transport; and
- agriculture.

(* indicates the first sectors to be developed).

The sector coverage aligns with the six sector decarbonisation plans that the Australian Government is developing for the Australian economy to help mobilise the private sector investment needed to support net zero, invest in Australia's ability to become a renewable energy superpower, and achieve its other sustainability and social goals.

In accordance with the mandate set by the Australian Government, there are four key principles to guide the development of the Australian taxonomy:

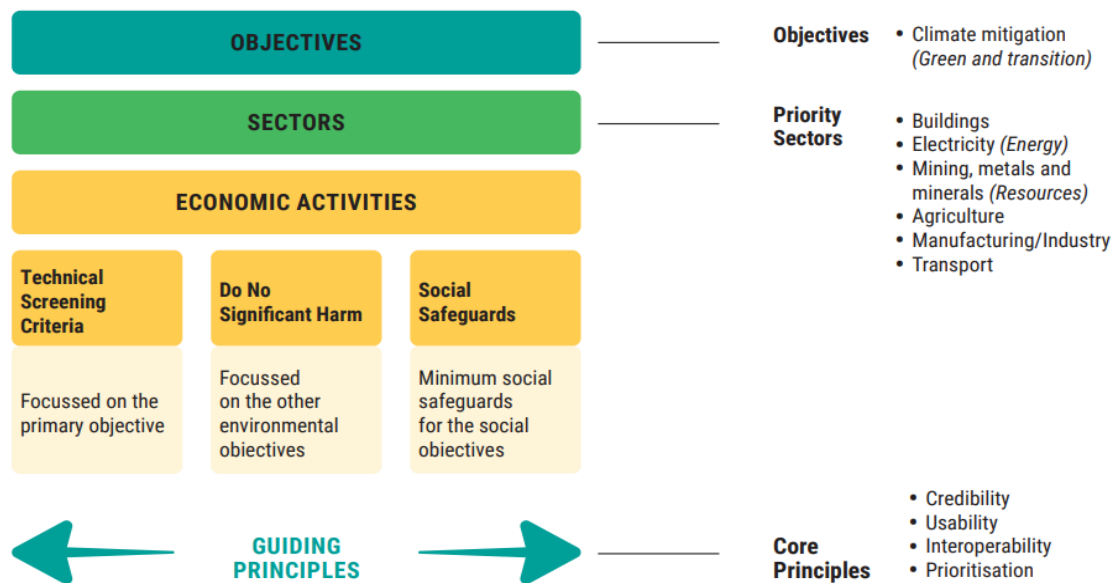
- the taxonomy should be credible and science-based;

¹⁷ The Australian Council of Financial Regulators' Climate Working Group (CWG) is overseeing the initial development phase of the taxonomy project, as part of its role supporting the development and implementation of the Government's Sustainable Finance Strategy. The Terms of Reference between ASFI and the CWG sets out the scope and mandate for the initial development phase. A copy of the Terms of Reference is available on ASFI's website here: <https://www.asfi.org.au/taxonomy-governance> (accessed 25 November 2023).

¹⁸ The methodology for determining the sustainability objectives and social considerations in the Australian taxonomy are set out in the Methodology report published by the TTEG, available at <https://www.asfi.org.au/publications/introducing-the-methodological-design-features-of-the-australian-sustainable-finance-taxonomy> (accessed 20 December 2023).

- the taxonomy should be usable for a range of different users;
- the taxonomy should be interoperable and broadly compatible with international approaches to sustainable finance taxonomies; and
- the taxonomy should be tailored to Australian priorities. These include supporting the allocation of capital towards transition activities; aligning with broader government climate policy objectives; supporting the foundation for broader regulatory frameworks on sustainable finance; and being adaptable to incorporating other climate and sustainability objectives such as nature in the taxonomy.

Figure 1: Initial development of the Australian Taxonomy



The Australian Council of Financial Regulators' Climate Working Group (CWG) is overseeing the development phase of the taxonomy project as part of its role supporting the development and implementation of the Government's Sustainable Finance Strategy.

ASFI, with endorsement from the CWG, has established a Taxonomy Technical Expert Group (TTEG), comprising 25 experts in sustainable finance; whole-of-economy decarbonisation; climate and environmental science and policy; human rights; and Indigenous rights and perspectives. This group is tasked with providing strategic direction over, input into and endorsement of taxonomy products for consideration by government.

Figure 2: Classification of environmental objectives in the Australian Taxonomy.

