



FY2023 Commonwealth Bank Australia (CBA) Climate Finance Assessment

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Continuing on from [our FY2022 series](#), we review CBA's FY2023 disclosures and assess against four material climate themes relevant to the banking sector: trends in the banks' energy loanbook, portfolio decarbonisation targets by sector, client transition plan engagement, and climate solutions financing. This assessment follows our review of [CBA's landmark oil and gas financing policy](#) which sets the benchmark for banks in the Asia Pacific region.

Summary of key findings:

- For an Australian first, CBA has established a 60% emissions intensity reduction 2030 target on its mortgage book (section 2) – leveraging government efforts to decarbonise the power grid, as well as policy advocacy and a future focus on customer engagement (Fig.5). Financial products like CBA's [Green Loan](#) and [Green Home Loan](#) have contributed to \$27bn cumulative allocation towards green homes over three years (Fig.14) and will work with the 60% decarbonisation target to mitigate the physical risk of residential assets, especially where home insurance affordability is an issue. Improving housing energy efficiency is key to solving for both the cost of living and decarbonisation.
- CBA has been getting the energy investment trend right, nearing a 1:1 ratio of fossil fuels to renewable energy lending (Fig.1). But due to a change in disclosure methodology, CBA did not report its FY2023 renewables exposure, making it now impossible to compare with previous years (Fig. 1-3). We do know, however, that CBA provided \$1.6bn in new and incremental lending to renewable energy in FY2023, up 28% on last year (Fig.14). Further, CBA's power generation portfolio comprises a positive ratio of 2:1 renewable to other energy, ahead of the Australian market (Fig.4).
- CBA reported a continued downward trend in the absolute emissions of its coal, oil and gas loanbooks, tracking way ahead of its 2030 targets (Fig.6-9). Despite the reported downward trend in absolute thermal coal mining emissions, CBA increased its exposure to thermal coal mining by 13%, up from \$0.8bn to \$0.9bn (Fig.2), directionally wrong in the face of mounting climate risks.
- CBA also established decarbonisation targets for its heavy industry portfolio which includes steel, alumina, aluminium, cement (section 2). The targets now cover 35% of the banks' reported financed emissions, a good step up in coverage priorities. We welcome the transparency CBA has provided into the levers being used to achieve its targets (Fig.5) and expect the detail on each to ratchet up over time to outline, for example, details on how CBA's policy advocacy is 1.5 degree aligned.
- CBA noted 54 of its 100 high emitting customers now have Board-endorsed Transition Plans, up from 22 last year (Fig.12), indicating improved transition readiness of Australian heavy emitters. CBA's Transition Plan engagement will be completed by early 2025 and is backed by the Climate Action 100+ framework and a 'well below 2°C' pathway. We urge these activities to be conducted with a view to 'limiting warming to 1.5°C' and to work towards improving the disclosure detail in areas like pathway alignment and appropriate use of carbon credits.
- Progress continues towards CBA's \$70bn Sustainability Funding Target with \$44.7bn allocated in 3 years – \$36.6bn of which is climate-specific (Fig.14). CBA is set to achieve its target by the end of FY2025, five years ahead of the target date which leaves immense scope for increased ambition.

Context

Urgent action is needed to decarbonise whole economies and shift away from fossil-based energy to clean energy. United Nations Secretary General, Antonio Guterres, last month declared, in the face of unprecedented global temperatures, that [the 'era of global boiling' is upon us](#). The globe has just witnessed the hottest July on record, heatwaves have swept the Northern Hemisphere and Hawaii and Canada have been in flames. Experts are warning of a potentially catastrophic summer here, even as communities are still struggling to recover from the damage of unprecedented flooding in eastern states in 2022.

In economic terms, too, the effects of climate change are increasingly apparent. In a world-first, the [Australian federal government has agreed to settle a court case](#) accusing it of misleading investors by failing to disclose the risk climate change poses to its bonds. The government has agreed to acknowledge climate change as a systemic risk that may affect the value of its bonds, meaning it must now act to prioritise effective action on climate change to mitigate those risks. This comes as the [Treasurer's Intergenerational Report](#) sees a bigger, older population suffering from climate change in 2062, with the economy larger but less productive overall.

When it comes to physical climate risk in a bank's mortgage book, home insurance is the main risk control lever used by banks. When home insurance becomes unaffordable, [banks become exposed to climate physical risk](#). A new [Actuaries Institute](#) report shows that premiums in the highest-risk properties, such as those in flood or bushfire-prone areas, have shot up by 50% in a single year and that 1.24 million Australian households now face insurance affordability stress, in addition to a cost of living crisis exacerbated by hyperinflation of fossil fuel prices. With house insurance prices rapidly becoming unaffordable, we expect to see a massive step up in investment by the Australian banks to adequately access all climate risks relating to their collective multi-trillion dollar house lending books.

Australia has an outsized role to play in the global energy transition given we are a [major exporter of the world's fossil energy](#), third only behind Russia and Saudi Arabia. We have a [once in a lifetime opportunity to shift from petrostate to electrostate](#), ushering in the green economy of the future with on-shore value-adding of our world-leading reserves of critical minerals and energy transition materials and powered by our abundant natural renewable resources.

Australian banks collectively represent [\\$6.1 trillion in total assets](#) and have a critical role to play in shifting hundreds of billions out of polluting industries and into new economy resources and clean energy that decarbonises our electricity grid and enables the decarbonisation of key sectors like buildings and heavy industry.

The pace of energy supply investments must accelerate to a [4:1 ratio of renewables to fossil fuels](#) this decade to be on track to meet the global climate goal of holding warming to 1.5 degrees. The ratio gives us an indication as to the pace at which fossil fuel financing is being displaced, and how fast we are financing alternative clean energy supply.

A credible, science-aligned [sustainable finance taxonomy](#) will support the mobilisation of capital into economic activities that substantially contribute to climate mitigation and other sustainability objectives and we continue to monitor the progress of the Australian Sustainable Finance Institute and its technical team led by the Climate Bonds Initiative.

In 2021, [CommBank was listed as the 37th largest financier of energy supply by BNEF](#) out of 100 global banks – second only to ANZ, listed at #31 – making CBA a globally significant player when it comes to the energy transition. Science-aligned restrictions on the financing of new oil and gas (O&G) fields are becoming the norm within global banks, and [CEF has recently commended CBA for its O&G financing policy](#) that now meets the minimum global standard. For its net zero ambitions to have credibility on the global stage in line with the [United Nations High-Level Expert Group recommendations](#), CBA must next aim to restrict finance to LNG terminals that intend to enable new fossil fuel supply.

In FY2023, CBA booked \$10bn net profit after tax (NPAT) – this while Australians face mounting cost of living pressures and the globe faces a climate crisis. We would expect to see CBA leverage its financial strength to double down on Australia’s decarbonisation and transition away from fossil fuels. This should include investments that mobilise its leading share of the mortgage market, such as its [Green Loan](#) and [Green Home Loan](#), which provide discounted loans for clean energy and energy efficiency measures within residences, but also extend beyond this into other aspects of its financing.

CBA is investing strategically in the transition, announcing a [partnership with climate investment firm Wollemi Capital](#) – a climate specialist investment firm co-founded by the former Global Head of Macquarie Capital – to help the bank further develop its capability in climate, carbon and biodiversity.

However, at the same time, [CommBank along with other major Australian and international financiers](#) have faced scrutiny of their continued investment in fossil fuels, including their participation in a \$1.5 billion loan to Santos for its Barossa offshore gas project, the subject of a formal complaint from Traditional Owners regarding breach of the banks’ human rights commitments. [CBA has accepted the Claimants’ invitation to a dialogue](#) on-country while simultaneously refusing to acknowledge the human rights impacts of the Barossa project and declining to provide any information about how they intend to respect the Claimants’ human rights.

We ask CBA to respond on how this financing activity is consistent with its environmental and social standards.

1. Climate-aligned energy financing (i.e. trends in the energy loanbook) ([Climate Report](#), p.45)

CBA has been getting the trend right for several years in a row – i.e. progressively reducing exposure to fossil fuels while building its loanbook in renewables – as demonstrated by the below graph which extends a five year view from FY2018 to last year’s FY2022 reporting.¹ In that time, CBA reduced its exposure to upstream and midstream fossil fuel activities by an average 15% CAGR, and increased renewables exposure by an average 8% CAGR.

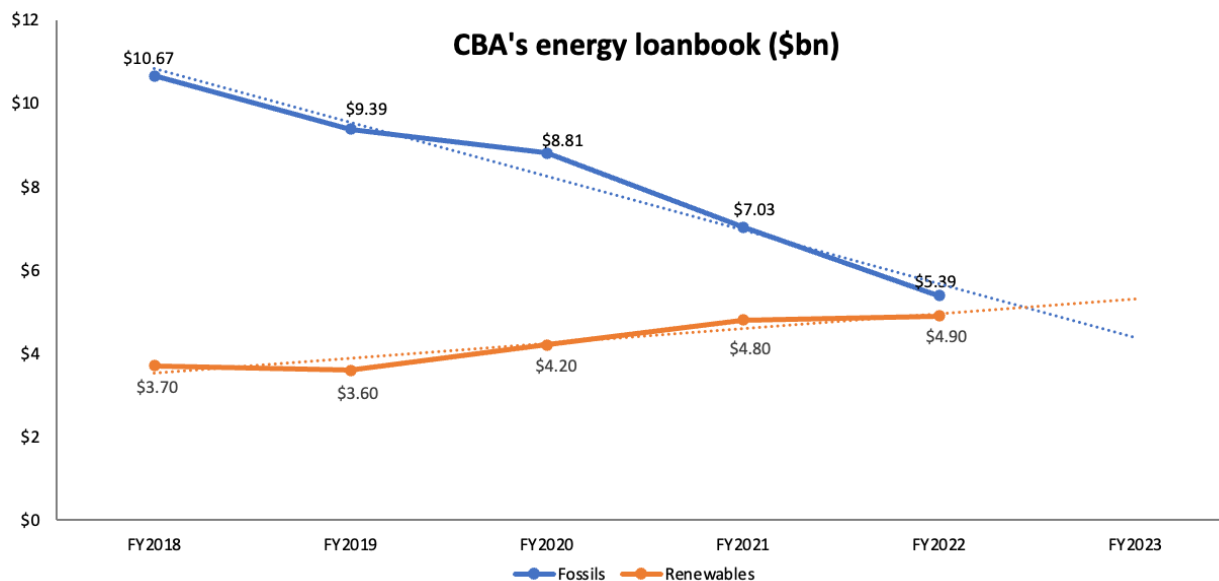


Figure 1

This year, however, CBA changed its methodology for disclosing fossil fuel exposures, making it impossible to compare FY2023 figures against anything prior to FY2022. CBA notes this change in its [FY2022 Climate Report](#) (p.48) as intending to align the bank’s financed emissions methodology and reporting with [Partnership for Carbon Accounting Financials \(PCAF\)](#) standards as data and methodologies evolve. CBA’s previous energy value chain disclosure methodology represents only material client exposures, i.e. an activity-based reporting. The new disclosure methodology is based on a customer’s classification under the Australian and New Zealand Standard Industry Classification (ANZSIC) framework, supplemented with additional classification where required, i.e. entity-based reporting.

The change in disclosure method facilitates the mapping of sectors within CBA’s portfolio which are exposed to elevated climate-related physical or transition risk. It should enhance transparency around the bank’s climate risk and financed emissions in the long term, but will take time to build up the backwards looking view and comparability.

¹ Fossil fuel figures represent upstream and midstream exposures as reported by CBA under its value chain disclosure framework from previous years. This year, there was a change in CBA’s methodology for reporting energy exposures, see Figure 2 for details and a comparison.

Figure 2 facilitates a comparison of the reported figures under each methodology. Comparing this year’s disclosures with those from last year that use the same method of reporting, we find that CBA has increased thermal coal exposures by 13% – directionally wrong. On the positive side, it has reduced exposures to upstream oil and gas (O&G) by 27% and midstream by 65%.

Sector	FY2022 previous (\$bn)	FY2022 new (\$bn), plus variance from previous	FY2023 new (\$bn), plus variance from FY2022 new
Upstream thermal coal	\$0.39 <i>Thermal coal, incl. diversified miners</i>	\$0.80 (+51%) <i>Thermal coal mining</i>	\$0.90 (+13%)
Midstream thermal coal	\$0.50 <i>Coal terminals</i>	\$0.50 (no change) <i>Coal terminals</i>	\$0.40 (-20%)
Upstream O&G	\$2.10 <i>O&G production</i>	\$3.30 (+36%) <i>Exploration and production</i>	\$2.40 (-27%)
Midstream O&G	\$2.10 <i>LNG terminals, oil dist. and refining</i>	\$1.70 (-24%) <i>LNG term., O&G shipping incl. FPSO</i>	\$0.60 (-65%)
Electricity generation	\$0.30 <i>Gas and coal generation</i>	\$1.30 (+77%) <i>Non-renewable power gen. clients, incl. those with <90% renewables</i>	\$1.90 (+46%)
Renewables	\$4.90	Not disclosed	Not disclosed

Figure 2²

Retrospectively analysing relative exposures, CBA looked on track to hit at least a 1:1 ratio this year if it maintained the pace established since 2018 (see Figure 3), with further major acceleration of the pivot needed this decade to swing the scales to renewables. Unfortunately, without disclosure of renewables exposures this year, we cannot determine whether CBA is investing in renewables at a pace to support the displacement of fossil fuels.

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Fossils	1	1	1	1	1	<i>Insufficient information to determine, due to change in disclosure method this year</i>
Renewables	0.3	0.4	0.5	0.7	0.9	

Figure 3

We do know, however, that CBA has a greater proportion of renewables within its power generation portfolio compared to other fuel sources – a 2:1 ratio – and is tracking well ahead of the Australian market (Figure 4).

We strongly recommend CBA discloses its total committed exposure to renewables in its FY2024 reporting. This would be consistent with best practice and important for disclosure consistency, transparency and integrity.

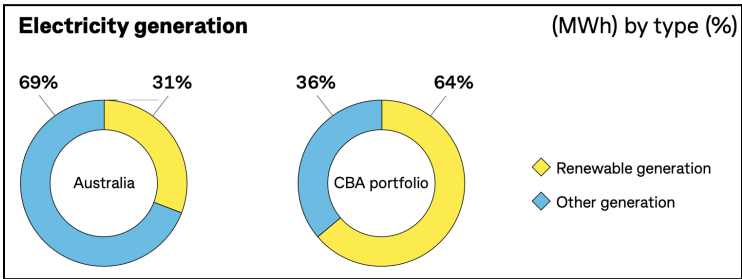


Figure 4

² All values are expressed in terms of the bank’s total committed exposure (TCE).

2. Real economy decarbonisation (i.e. portfolio decarbonisation targets by sector) (Climate Report, pp. 12-23, 54-55)

CBA commits to reducing real world emissions through establishing 2030 portfolio decarbonisation targets under the [Net Zero Banking Alliance](#) framework which covers the most material sectors of the economy. This year, CBA set new targets across its residential housing and heavy industry (steel, alumina, aluminium and cement) portfolios. These build on last year’s targets that were set for thermal coal mining, oil and gas extraction and power generation. Next year, targets will be extended to the remaining sectors – commercial real estate, agriculture and transport.

Below are the key levers which CBA proposes to use in decarbonising its loanbook and pursuing real world emissions reduction:

- Direct action to assist customers reduce their emissions by,
 - **Engaging** with customers and providing insights and data
 - **Advocating** for the right policy setting, and
 - Offering dedicated **products and services (P&S)**
- **Re-balancing** the portfolio towards less emissions-intensive customers
- **Reducing** exposures to the sector

Figure 5 provides an overview of CBA’s sector targets.³ Below, we track progress against the three established sectors from last year – thermal coal mining, O&G extraction and power generation – and take a look at CBA’s new commitment to decarbonise housing. All performance reporting below is based on FY2022 progress due to the lag in customer reported emissions data – figures are as at 30 June, 2022.

	Thermal coal mining	Oil extraction	Gas extraction	Power generation	Residential real estate	Steel	Alumina	Aluminium	Cement
2030 target	0 MtCO2	1.9 MtCO2	2.8 MtCO2	105 kgCO2/MWh	15.7 kgCO2-e/m2	1.35 tCO2-e/t-steel	0.63 tCO2-e/t-alumina	5.26 tCO2-e/t-aluminium	0.55 tCO2-e/t-cement
Reduction on baseline year	100% on 2020	27% on 2020	17% on 2020	53% on 2020	60% on 2021	30% on 2021 global average	62% on 2020 MPP modelling	46% on 2020 MPP modelling	23% on 2021 DCCEEW SGM standard
Scenario	Global IEA NZE 2021	Global IEA NZE 2021	Global IEA NZE 2021	Global IEA NZE 2021	SBTi	SBTi	MPP	MPP	SBTi
Emissions measurement	absolute	absolute	absolute	intensity	intensity	intensity	intensity	intensity	intensity
Emissions scope	1, 2, 3	1, 2, 3	1, 2, 3	1	1, 2	1, 2	1, 2	1, 2	1, 2
Levers	Reduce Engage	Rebalance Reduce Engage	Rebalance Reduce Engage	Rebalance Engage Advocate P&S	Advocate P&S Engage(Emerging focus)	Engage P&S(Emerging focus)	Engage P&S(Emerging focus)	Engage P&S(Emerging focus)	Engage P&S(Emerging focus)

Figure 5

³ Please refer to CBA’s Climate Report, pp. 12-23, 54-55 for detail on acronyms etc.

In FY2024, we look forward to seeing progress in decarbonising heavy industry, especially new financial products and services that will support industry’s transition, particularly now the Federal Government has introduced a credible Safeguard Mechanism for the top 219 emitting facilities across Australia. We would also expect CBA to take up policy advocacy in decarbonising heavy industry by next year.

Thermal coal

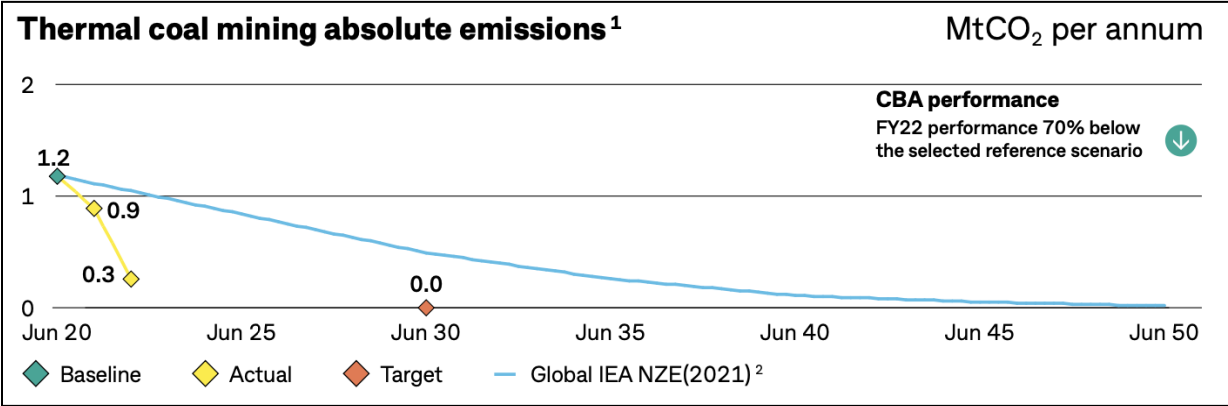


Figure 6

It is excellent to see that CBA is tracking well below its thermal coal mining transition pathway and on the way to meet its on the way to achieve its 2030 target – 100% reduction in financed emissions and exposure – ahead of time.

At FY2022 end, financed emissions were 0.3 MtCO₂ (albeit using the coal industry’s entirely understated [methane emissions calculations](#)), which represents a:

- 75% reduction compared to the 2020 baseline
- 67% reduction in a single financial year, and
- 70% below the Global IEA NZE 2021 scenario.

CBA reports the decrease as being driven by a decline in its drawn lending exposures to existing customers and partly offset by changes in the in-scope customer set in 2022 due to elevated coal prices.

Emissions reduction levers: Reducing the banks’ exposure to thermal coal affirms market signals that point to a structural decline in the industry. Engagement with thermal coal customers should now be covered by CBA’s Transition Plan expectations as detailed below in section 3.

Oil and gas

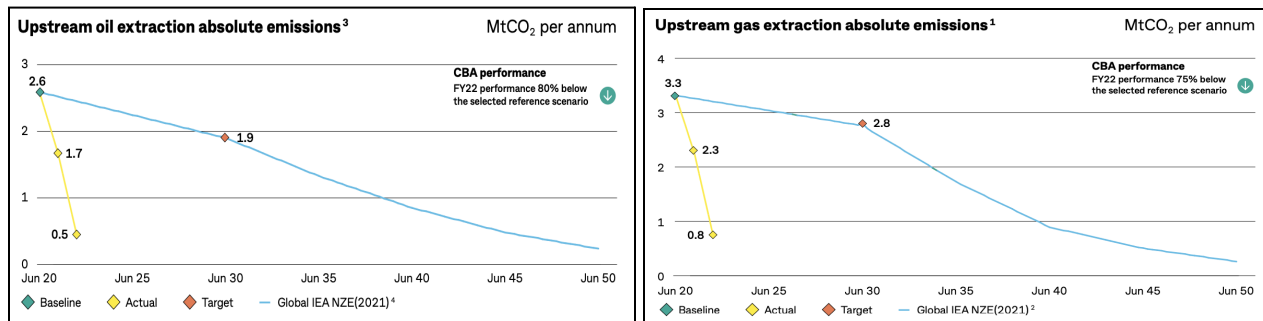


Figure 7 & 8

Again, excellent to see CBA is tracking well below its O&G transition pathways and on the way to achieving its 2030 target – 1.9 MtCO₂ and 2.8 MtCO₂ absolute O&G emissions respectively – ahead of time.

At FY2022 end, oil extraction emissions were 0.5 MtCO₂ and gas extraction 0.8 MtCO₂, which represents a respective:

- 81% and 76% reduction on the 2020 baseline
- 71% and 65% reduction in a single year, and
- 80% and 75% below the Global IEA NZE scenario.

The decrease was driven by portfolio changes, with reference to drawn lending exposure.

Looking forward, CBA forecasts declining oil demand as combustion vehicles are phased out in transport and mining, gradual tapering in domestic gas demand due to low carbon fuel switching and increasing electrification, yet continued strength in LNG gas demand given its anticipated role as a transition fuel in the Asian region.

Emissions reduction levers: Given CBA's forward look as stated above, rebalancing exposures in this context likely points to shifting away from unabated gas and towards gas suppliers with a credible transition plan that is consistent with CBA's [environmental and social framework](#).

Reducing O&G exposure is likely to be most material in CBA's oil extraction exposures. Engaging with O&G customers should now be covered by CBA's Transition Plan expectations as detailed below in section 3.

Power generation

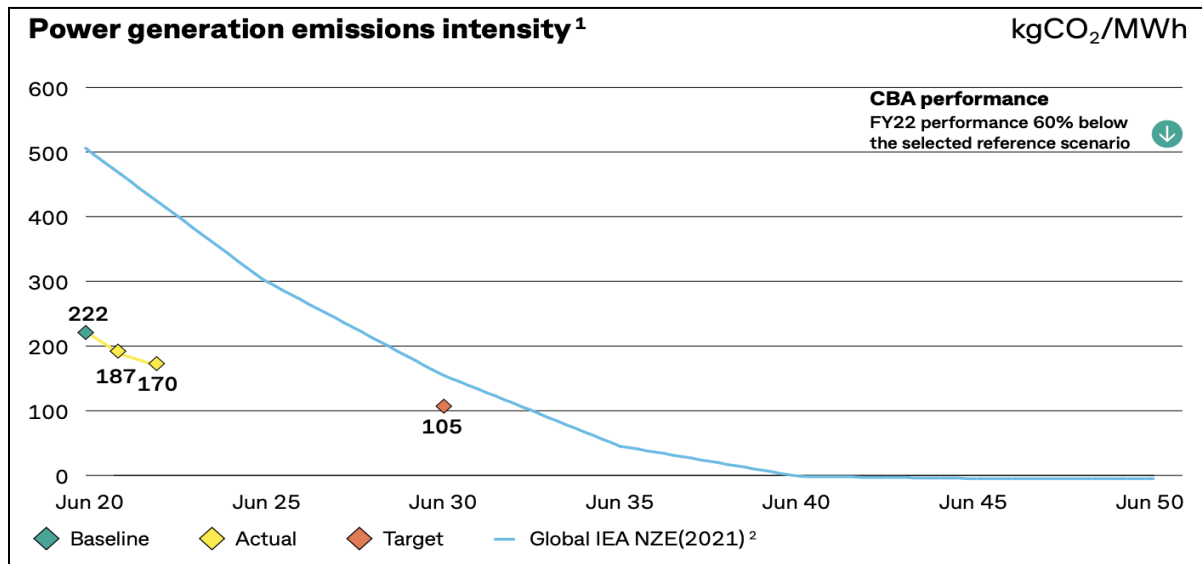


Figure 9

CBA is tracking well below its power generation transition pathway and on the way to credibly achieving its 2030 target – 105 kgCO₂/MWh emissions intensity – ahead of time.

At FY2022 end, emissions intensity of its portfolio was 170 kgCO₂/MWh, which represents a:

- 52 kgCO₂/MWh reduction compared to the 2020 baseline
- 17 kgCO₂/MWh reduction in a single year, and
- 60% below the Global IEA NZE scenario.

The decrease, again, was primarily driven by portfolio changes with reference to drawn lending exposure. Looking forward, CBA states the expectation for fluctuation in future years by saying, “For example, in order to support our customer’s transition and the decarbonisation of Australia and New Zealand’s electricity grids, we may choose to increase our lending to an emissions-intensive customer if it is consistent with the commitments in our E&S Framework. This could then increase the emissions intensity of our portfolio at points in time. Drawdowns of unused lending limits could also change our share of emissions and generation.”

Given the need for industry incumbents like AGL Energy to dramatically increase their corporate investments in new zero emissions firmed capacity ahead of coal plant closures, CEF sees this as entirely aligned with the need for CBA to re-engage and support laggards that credibly pivot towards accelerated alignment with the Net Zero Emissions targets.

Emissions reduction levers: Rebalancing exposures between renewables and fossils affirms market signals that point to structural changes in the power generation industry. Engaging with power generation customers should now be covered by CBA’s Transition Plan expectations as detailed below in section 3. Advocating for the right policy settings to accelerate power grid decarbonisation is much needed, especially from financial institutions. CBA should plan to

disclose current and planned engagement activities per the [Transition Plan Taskforce best practice guidance](#).

Residential real estate

In an Australian first, CBA has established an ambitious target to decarbonise the emissions intensity of its mortgage book by 60% by 2030. An impressive feat for Australia's largest bank with a [home loan market share of 25%](#) and paves the way for [Westpac with a 21% mortgage market share](#) to set a target of equal ambition.

[Residential buildings](#) are responsible for around 24% of overall electricity use and 12% of total carbon emissions in Australia. Improving thermal efficiency of buildings and electrifying appliances are the two levers to decarbonising this asset class. Massive momentum was clocked this year in the ban on [gas connections in new homes in Victoria](#) to apply from 2024, a trend we expect to see replicated across Australia.

The 60% emissions intensity reduction target will work in tandem with the banks' financing momentum towards energy efficient residential buildings (as outlined in section 4) to reduce real emissions and mitigate the bank's exposure to physical climate risk in this asset class, especially where home insurance is becoming unaffordable. Green electrified homes have the added benefits of easing cost of living pressures due to the [deflationary pressures of a renewables](#), and [increasing health and comfort of the home](#).

Achieving the target is framed by CBA as contingent on decarbonisation of the electricity grid as a key enabler of increased energy efficiency and home electrification, with the caveat that "Should the electricity grid not decarbonise quickly enough, or if State or Federal Government policy settings are not supportive, then achieving our target will be unlikely."

Emissions reduction levers: To achieve its target, CBA will offer financial products and services to its customers, such as the [Green Loan](#) and [Green Home Loan](#) and the \$27bn in green residential financing that CBA has allocated since FY2021. Policy advocacy and an emerging focus on customer engagement are two levers of this critically important initiative which we hope to see a lot more detail on next year.

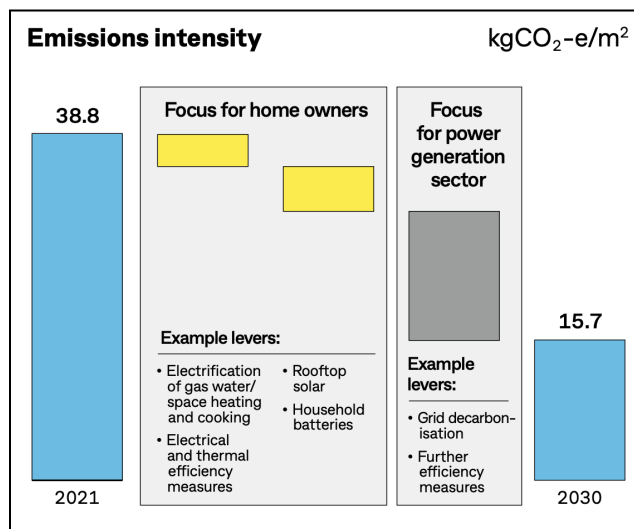


Figure 10

3. Client transition plan engagement ([Climate Report](#), pp.50-51, 77)

This year, CBA continued engagement with 100 of its most carbon intensive customers to better understand their transition risks and opportunities. There were 65 customers that rolled over from CBA’s 2022 engagement and 35 customers newly added. Compared to 2022, there was a reduction in mining, oil, gas and shipping customers, with additions from other carbon intensive sectors like transport and storage and manufacturing (see Figure 11).

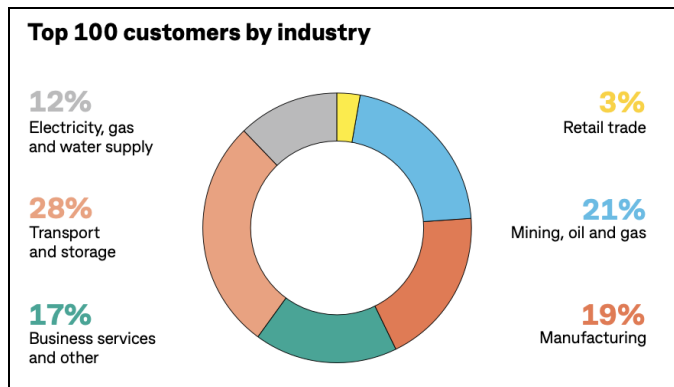


Figure 11

Figure 12 illustrates progress on the transition planning of CBA’s top 100 carbon intensive customers between last year and this year. Across the subset, there is 10-20 points of uplift compared to last year, with notable significant increase in Board endorsed transition plans.

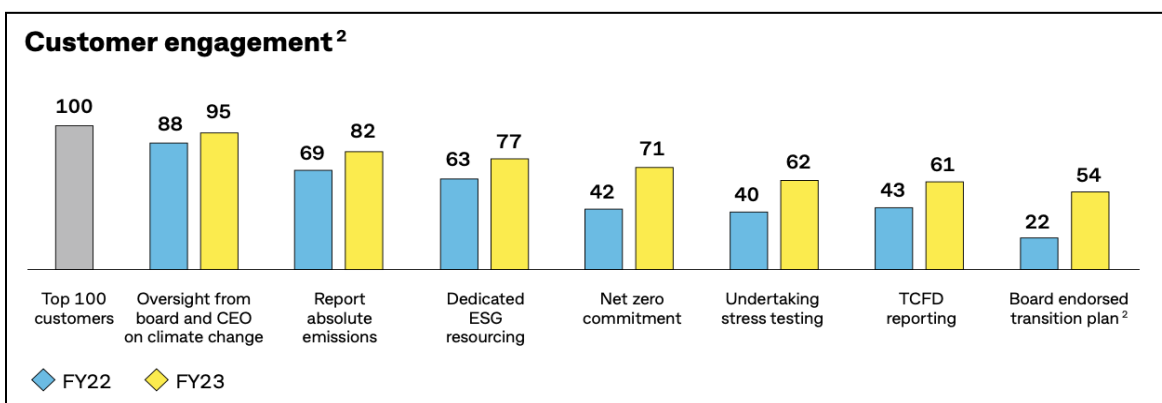


Figure 12

CBA’s new Transition Plan expectations ([Climate Report](#), p.77) mean that certain coal, oil, gas and power generation entities will be required to have published Paris-aligned Transition Plans by 2025 – critically important, plans must include the entity’s Scope 1, 2 and 3 emissions (CEF notes Australian fossil fuel major Woodside has no scope 3 target at all, even though this amounts to over 90% of the firm’s total emissions across scope 1-3).

CBA’s Transition Plan framework will leverage the Climate Action 100+ framework for good corporate engagement, and assess alignment of Transition Plans with the ‘well below 2°C’ goal of the Paris Agreement. It will include criteria such as net zero ambition, targets, strategy, governance and disclosure.

While we support this move, it is critical that Transition Plan engagement maintains a 1.5 degree outcome and inches up incrementally in hundredths of a degree as global warming

accelerates. Other fundamental elements of a credible Transition Plan where we expect to see improved disclosure over time include, for example, an appropriate use of carbon credits.

The government is undertaking efforts to determine whether a nationally consistent approach to transition planning is needed, what guidance would assist businesses and how efforts can best be coordinated. Guidance of this sort would support consistency and comparability in Transition Plan engagement.

CBA has also engaged an external party to help assess its clients' Transition Plans, given the complexity involved and critical importance of this assessment, acknowledging Federal [Treasurer Jim Chalmers](#) is now really starting to belatedly act on corporate and financial disclosures in this critical space.

CBA's process of assessment and client engagement will commence in the 2024 financial year, with a view to completing the process by the beginning of 2025. We look forward to more details being released in next year's full year reporting.

4. Climate solutions financing⁴ ([Climate Report](#) pp. 57, 78-80)

Australian Banks are perfectly positioned to pivot capital at scale into climate solutions, and we need that money to create real impact towards the energy and decarbonisation transition by reducing real world emissions.

CBA's \$70bn Sustainability Funding Target over 10 years to FY2030 includes both environmental and social lending and is measured as 100% on balance sheet loans, not including capital markets facilitation through underwriting, advising or arranging deals.

In the 3 years since the beginning of the pledge, CBA financed \$44.7bn towards its pledge. At this rate we will expect to see CBA hit the \$70bn pledge in two years, by the end of FY2025, five years ahead of the target date.

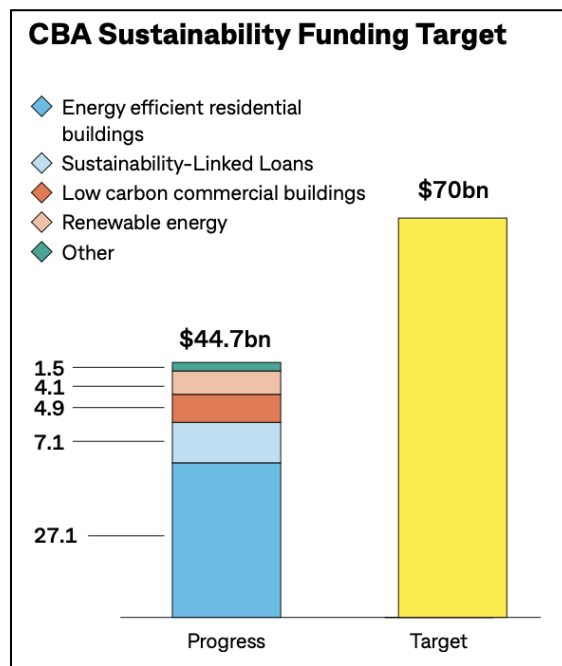


Figure 13

While we need ambition to be uplifted in multiples, we also need financing that reduces real world emissions.

⁴ This year, we do not assess CBA's [2023 Green, Social and Sustainability Funding Impact Report](#) which relates to international sustainable finance market issuances.

82% of CBA’s financing under the pledge over the past 3 years, i.e. \$36.6bn, is climate-specific⁵ made up of green assets in residential and commercial buildings, renewable energy, low carbon transport and additional energy efficiency measures not covered by other categories. Figure 14 depicts the new and incremental lending towards these climate-specific asset classes.

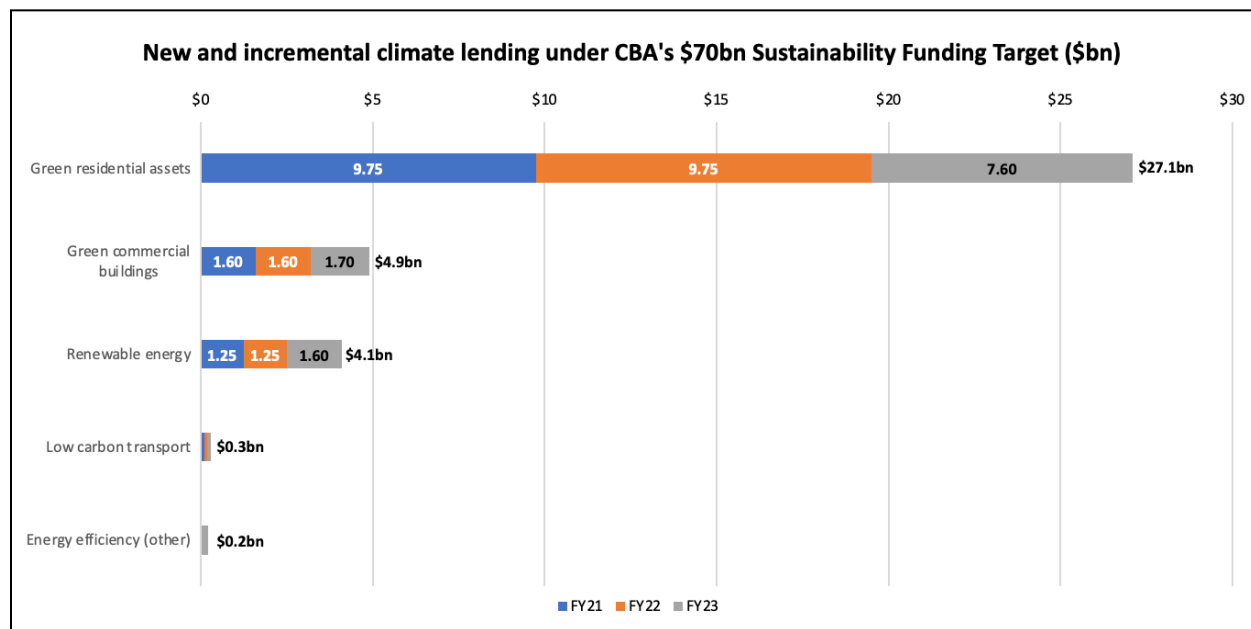


Figure 14⁶

Green residential assets

Overwhelmingly, green residences make up the majority of financing to date under its Sustainability Funding Target – \$27.1bn and 60% of CBA’s financing progress to date. New lending to green residential assets in FY2023 was \$7.6bn, significantly down by 22% on the average of the last two years’ financing. This is disappointing given CBA’s [Green Home Loan](#) should be helping to drive an increase in financing in this area.

Prioritising lending to construction of higher NatHERS rated housing is a critical step to a zero-emissions housing sector. The asset class is defined as mortgage loans to finance the construction of new residential buildings or major renovations. It requires that assets meet the minimum thermal efficiency requirements under the National Construction Code (NCC) which require new construction or major renovations to reach a NatHERS 6 Star Rating of thermal efficiency. When the 2022 NCC updates are introduced by each state, this will increase to a NatHERS 7 Star Rating. It is great to see that CBA’s Green Home Offer incentivises building of 7 Star NatHERS Rated through a lower standard variable rate loan ([Climate Report](#), p.15).

⁵ We exclude sustainability-linked loans (SLL) because it is not possible to isolate the use of proceeds behind this asset class without a lot more disclosure clarity. SLLs effectively provide corporate debt to an entity who commits to achieving certain climate and/or nature outcomes.

⁶ FY2021 and FY2022 disclosures were presented together as one figure in the [FY2022 Climate Report](#), therefore the FY2021 and FY2022 figures represented here are the average financing over those two years.

This year, CBA changed its eligibility criteria for this asset class and its nomenclature from “green residential buildings” previously, to “energy efficient residential buildings”. This reflects a change from pinning eligibility to the Climate Bonds Initiative framework to now using the NCC – a more robust choice going forward given it anchors the eligibility standard to real frameworks regulating and underpinning the Australian residential building landscape.

Green commercial buildings

New lending to green commercial buildings this financial year was \$1.7bn, up 6% on last year, with \$4.9bn allocated in total since FY2021. The asset class includes projects under construction or property upgrades and is defined as lending secured by commercial buildings with a National Australian Built Environment Rating System (NABERS) Energy Rating or the Green Building Council of Australia (GBCA) Green Star Rating of 5 stars and above.

[Green Star Ratings](#) are designed to reduce the impacts of climate change, enhance health and quality of life, restore and protect biodiversity and drive resilience in buildings and communities. [NABERS and GBCA work closely together](#) to help ensure the complementarity of their rating tools.

A 5 Star NABERS Energy or Green Star Rating denotes “excellent” energy efficiency standards. However, a 6 Star Rated home is reported to result in half the greenhouse gas emissions or water use of a 5 Star building. [This report by CIM Environmental](#), a building data analytics provider, reports that there are currently only 256 buildings in Australia with a 6 Star rating. We hope to see CBA’s inclusion criteria for green commercial buildings ratchet up to the highest level of energy efficiency.

Renewable energy

New lending to renewable energy in FY2023 was \$1.6bn, up 28% on last year, with \$4.1bn allocated in total since FY2021. This is a pleasing trend which we expect to positively influence CBA’s total committed exposure to the asset class in line with the 4:1 ratio of energy supply financing ambition mentioned in section 1.

The asset class is defined as lending to entities involved in the development, construction, operation, distribution and maintenance of large scale RE projects and related manufacturing equipment. Its scope includes both domestic and offshore assets, and entities whose operations are related to renewable electricity in the form of power generation (minimum 90% RE), transmission and distribution, large scale energy storage facilities, and manufacturing facilities.

Renewable energy and battery storage capacity that plug into the national power grid act to displace the need for fossil fuel energy. This plays a major role in reducing real world emissions,

where 35% of [Australia's 2020 emissions profile](#) (the latest dataset available) comes from electricity generation.

Low carbon transport

New lending to low carbon transport this financial year was \$100m, equal with the average of the last two years, and amounts to \$300m allocated in total since FY2021.

The asset class is defined as lending related to low carbon transport and related infrastructure. It includes electric powered vehicles, off-road machinery, trains and buses, hydrogen-powered freight and buses, as well as infrastructure that supports charging stations, alternative fuels, batteries, electrified freight rail, and infrastructure that displaces emissions such as public walking and cycling tracks, and a bus rapid transit system.

Investments in low carbon transport and supporting infrastructure displaces fossil fuel powered transport and reduces real world emissions, where 19% of [Australia's 2020 emissions profile](#) was driven by transportation emissions.

Case study (Climate Report, p.27): To stimulate EV sales and lift Australia's competitiveness compared with other countries (see image 5), CBA has provided an innovative financing solution to enable Zenobe – a company that designs, finances, builds and operates battery solutions – to lease 'zero emissions' buses and charging infrastructure to Transport Canberra. The first 12 battery electric buses, combined with the potential purchase of a further 90 electric buses, will support Transport Canberra to achieve a fully electric bus fleet by 2040, supporting the ACT's Australia-leading climate change strategy.

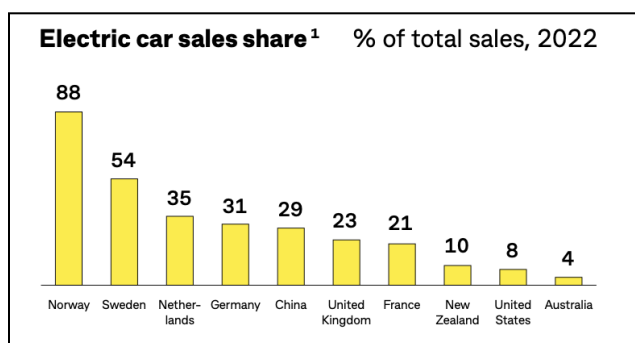


Figure 15

Other energy efficiency

New lending to other energy efficiency assets this financial year was \$200m, up from \$10m last year. The asset class is defined as lending for assets that improve energy efficiency or generate renewable energy excluding those that are reported under other categories. It includes solar, wind, hydro powered equipment including panel installations and batteries used to store energy for commercial use and charging equipment.

Similar to renewable energy, this asset class further extends real world emissions reduction by displacing the use of fossil fuels in other industrial or commercial situations.

CBA FY2023 Source documents

- [Annual Report](#)
- [Climate Report](#)
- [Environmental and Social Framework](#)

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