Response to Treasury’s Sustainable Finance Strategy Consultation

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Pillar 1: Improve transparency on climate and sustainability	
Priority 1: Establish a framework for sustainability-related financial disclosures.	
What are the opportunities for Government, regulators and industry to support companies to develop the required skills, resources and capabilities to make climate disclosures under the proposed new obligations?	By providing clear guidelines, resources, and incentives, companies can develop the skills and capabilities necessary to meet their climate disclosure obligations in the Australian capital market. Suggestions include but are not limited to: - **Encourage best estimates, allow for annual improvements** - accountants and auditors like certainty, investors need credible best estimates with assumptions and industry rule assumptions disclosed, and enhanced each year as knowledge, systems and industry benchmarks improve. - **Develop training programs** and resources on topics like climate risk assessments, scenario analysis, and reporting standards. - **Develop sustainable finance competency frameworks** so that climate and sustainability plans are governed and delivered by the right skills, knowledge, and attributes. Competency in environment and nature-based systems will help stamp out greenwash and enable financial market participants (corporates, banks, investors, insurers and regulators) to develop transition plans that are more likely to succeed in achieving real world outcomes. - **Make data more accessible to companies** through government and industry association collaboration that provides access to climate data platforms and analytics (e.g. utilising NGER data) and tools for risk. The Australian government could also collaborate internationally to establish a centre for the management of Scope 3 emissions data and estimated industry averages for consistency, in place of certainty in the first instance. - **Standardise reporting templates that are globally aligned with standards such as TCFD**, making it easier for companies to compile and present climate-related information in a consistent manner and provide comparable data for investors and the market. With a focus on materiality, as per above.

	- **Introduce tax credits, grants or redirect existing subsidies** to help SMEs offset some of the costs associated with compliance and business transformation and incentivise better climate disclosure and sustainable business practices. - **Industry associations and bodies can facilitate collaboration** among same sector companies to knowledge share, establish industry averages and learn from one another as best practice climate disclosure collectively develops. - **Third-party assurance can be encouraged/incentivised** by regulators and industry associations to validate and audit climate disclosures, enhancing transparency and credibility. - **Regulators can conduct regular audits and reviews to ensure compliance** with climate disclosure obligations, with recognition that best estimates are better than non-compliance due to lack of exact data availability. Non-compliance should result in appropriate penalties to enforce the obligations.
How should the Government, regulators and industry prepare for global developments in sustainability-related financial disclosure frameworks and standards, including the TNFD?	Below are some steps that the Australian government, regulators, and industry can take to proactively prepare and position for ongoing global developments in sustainability-related financial disclosure frameworks and standards, including the TNFD. This will help Australia remain competitive in the global market while addressing environmental and sustainability challenges. Build awareness and educate: - **Government agencies and regulators should actively monitor the progress** of global developments in sustainability-related disclosure frameworks and standards and encourage Australian firms to prepare, knowing the disclosure needs will only ratchet up over time. Start with the largest firms with the most resources who also have global shareholder needs as well, then progressively phase in for smaller firms. - **Develop and provide training programs and resources** to help guide industry participants on understanding and implementing the new and evolving standards. Align with international standards: - **Work towards harmonising Australian disclosure requirements** upwards in line with emerging global best practice in international standards and frameworks. - **Consult industry stakeholders and international experts** when updating or revising disclosure requirements to ensure alignment with global standards and with the climate science, and discourage firms from claiming targets will be met when this relies on unproven technologies where the firm itself is not making material investments in RD&D in alignment with their stated views of likely technology progress (e.g. CCS).

	- **Incorporate nature-related financial disclosures** as the TNFD framework develops, into existing regulatory requirements, reporting guidelines and relevant legislation. - **Develop sector-specific guidance** in collaboration with industry associations and experts to help companies understand how nature-related factors apply to their industry. - **Invest in data and analytics infrastructure** that enables companies to collect, manage, and report on nature-related financial information. Encourage the development of tools and platforms that facilitate data collection and analysis. - **Promote the adoption of technologies** that can streamline nature-related financial data collection and analysis, such as environmental data management systems and reporting software. - **Collaborate with international counterparts** that are driving these changes, including participating in global working groups and sustainability disclosure forums. - **Foster collaboration between industry associations, companies, and government bodies** to ensure a coordinated approach to sustainability reporting and share best practices and experiences. - **Ensure alignment with 1.5 degree C scenarios** and prevent boards relying on the multitude of scenarios not aligned with the climate science to hide their lack of preparedness. Monitor and report on best practice sustainability disclosure standards: - **Establish mechanisms for regular assessments** of progress in aligning with global sustainability disclosure standards. - **Report on the state of adoption and compliance** with these standards. - **Promote transparency** by requiring companies to disclose their adherence to and progress in implementing global sustainability standards. - **Consider offering incentives for adoption**, such as tax benefits or grants, to smaller companies that voluntarily adopt and excel in meeting best practice sustainability disclosure standards. - **Implement penalties** for non-compliance to further nudge systemic adoption of sustainability disclosure standards and promote corporate accountability. Public awareness and investor education: - **Launch public awareness campaigns** to inform investors and the public about the importance of sustainability-related financial disclosures and the local need for adoption of global standards. - **Educate investors on how to interpret and utilise the sustainability disclosures** in their investment decisions. Mandatory continuing education for finance professionals should include competencies in sustainability, climate science, ecological economics and environmental science. Financial organisations should be required to demonstrate they have sufficient skills at the right

	levels. Board skills matrices should include these skills as standard.
Priority 2: Develop a Sustainable Finance Taxonomy	
What are the most important policy priorities and use cases for an Australian sustainable finance taxonomy? What are the key insights from international experience to date?	Key insights and recommendations include: - Taxonomy coverage should eventually be broadened with the objective of being utilised by the full financial system per the ASFI roadmap. Its application and disclosure should be made mandatory for the finance sector – e.g. banks, superfunds, insurance etc – to enhance effectiveness. - Do no significant harm (DNSH) criteria has the potential to be effective and should be designed in a way that solves for the usability challenges in the EU taxonomy around inconsistent and ambiguous criteria, lack of clarity on definitions, and inflexible disclosures. - Climate change mitigation criteria, as ASFI's first priority, needs to be considered alongside its interconnectedness with other environmental and social effects, or risk causing unintended consequences. We note ASFI's second methodological paper endorsed by the Technical Expert Group to be released next week will hopefully adequately address this point. - The Taxonomy must complement other policy measures that shift the incentives and drive investment towards a clean, prosperous and resilient economy, such as public investment, pricing in externalities, greening government spending to pull forward demand creation, whole-of-economy planning and regulation. - Robust governance practices that facilitate transparency, credibility and integrity in how the Taxonomy is developed and then implemented will be necessary for an Australian Taxonomy that serves in the public interest. - Identify the most relevant criteria for specific sectors by assessing the materiality of ESG factors and by ensuring that taxonomy coverage is tailored to risk exposure and resilience planning. We note that risk assessment is a key part of investment and lending decisions undertaken in the financial sector, as is risk management when reviewing portfolio investments and loans. Traditional risk assessment tools may overlook or underestimate exposure to sustainability risks, including risks related to climate change, biodiversity loss and other critical ecosystems or resources.

	Other general policy measures that will support the Taxonomy's effectiveness include: - **Provide sector-specific guidelines** and criteria to cater to the unique sustainability challenges and opportunities in different industries, ensures that the taxonomy is practical and relevant for all types of businesses. - **Establish disclosure standards** that mandate transparency and consistent information from companies regarding their alignment with the taxonomy and require use of 1.5 degree C aligned scenarios. This will aid investors and other stakeholders in making informed decisions. - **Implement incentives for alignment** with the taxonomy, such as preferential treatment in government procurement or tax benefits. - **Introduce penalties** for non-compliance to deter greenwashing, promote market integrity and success in achieving real world climate and sustainability goals. - **Invest in data infrastructure and technology solutions** that enable companies and investors to easily collect, manage, and report on sustainability data. This is vital for efficient taxonomy implementation. - **Develop educational programs and resources** for companies, investors, and financial institutions to increase awareness and build the capacity to navigate and use the taxonomy effectively. Australia should aim to foster investor awareness and the integration of sustainability criteria into investment decision.
What are priorities for expanding taxonomy coverage after the initial focus on climate mitigation objectives in key sectors?	After addressing key sectors related to climate change mitigation, the following priorities can guide the expansion of the taxonomy (in no particular order): - **Biodiversity and nature conservation**, including sectors such as agriculture, forestry, and land use, where sustainability criteria related to natural ecosystem protection and restoration are essential. - **Social and human capital**, including criteria related to human rights, labour standards and social impact across areas such as healthcare, education, and fair labour practices. - **Circular economy** to encourage the designing out of waste from the beginning of product life cycles and further reduce waste and minimise resource depletion across the value chain, particularly in sectors such as manufacturing and waste management. - **Water and natural resources management**, crucial for sectors like agriculture, mining, and utilities. - **Climate resilience and adaptation**, especially in infrastructure and real estate

	- **Social priorities** could help to direct investment into areas such as social housing, education, first nations initiatives, public health and wellbeing, equality and inclusion. - **Encourage innovation and technology development** that support sustainability objectives across multiple sectors, from green tech to sustainable transportation - **Assess sustainability criteria for global supply chains**, ensuring that companies' entire value chains are aligned with sustainability goals - **Water stress as well as pollution** (and impact on air, water and soil) are critical environmental issues for Australia that should be incorporated in the taxonomy priorities – The EU Taxonomy, for example, acknowledges the overlap between its sustainable finance climate and environmental objectives. - **Stranded asset risks**, including early closure, loss of social license and a resulting loss of market share, as well as full disclosure of and provisioning for closure and rehabilitation costs.
What are appropriate long-term governance arrangements to ensure that the taxonomy is effectively embedded in Australia's financial and regulatory architecture?	- **Appropriate long-term governance measures** could span from a dedicated regulatory authority and multi-stakeholder advisory board to periodic reviews and updates, consistency with financial regulation, enforcement mechanism, capacity building, data and technology infrastructure, incentives for adoption and incorporation of ESG rating agencies. - **Appoint the appropriate long term, enduring vehicle for maintaining and enhancing the taxonomy** with consideration of the right skills and competencies, and ensuring a focus on materiality over detail. - **Dynamic and agile processes** that allow the Taxonomy to be regularly updated. International experience shows this is important to keep pace with evolving standards and technologies. - **Invest in data infrastructure/analytics and technology solutions** to facilitate the collection, analysis, and reporting of sustainability data in the expanded taxonomy areas. - **Skills and competency** in sustainability risk assessment need to be built across the system. Consider regulatory intervention to ensure that sustainability risks beyond climate are adequately incorporated into risk assessment tools used by financial institutions in financial decision making, as well as government planning and approval departments and commissions. - **Regulation integration:** Ensure that the expanded taxonomy is integrated into relevant financial regulations, making it a central component of the Australian financial system.

Priority 3: Support credible net zero transition planning	
What are key gaps in Australian capability and practice, including relative to ‘gold standard’ approaches to transition planning developed through the TPT and other frameworks?	Transition plans and whole-of-economy planning and progress towards full decarbonisation should be the umbrella under which everything else in Treasury’s Sustainable Finance Strategy sits under. Currently there is no standard form of transition plan in use in the Australian market which leads to inconsistencies in levels of detail and quality of data provided, lack of comparability between plans, difficulty with tracking progress and lack of clarity on whether plans align with scientifically determined decarbonisation pathways. It increases the risk of greenwashing and the risk of Australia missing its decarbonisation targets, as well as uses up unnecessary resources in trying to interpret the plans that are scattered within multiple disclosure documents. While the quality of transition plans needs to rapidly improve to provide adequate, high integrity information, we very much advocate for starting with something quickly and improving from there. To that end, the Transition Plan Taskforce Disclosure Framework will be a great start as it covers many material aspects of a good transition plan such as industry rules and benchmarks for scope 3 disclosures and targets, engagement and lobbying disclosures, and business model implications. It is important to note that the TPT Framework is just that, a disclosure framework. It does not dictate the direction, speed, or ambition at which a company must transition to align with a 1.5 degree, Paris-aligned scenario. Therefore, policy measures are needed to insist on 1.5 degree aligned transition plans such as: - scope 3 emissions reduction targets and demonstrable progress in line with credible science-aligned pathways - evidence that 1.5 degree climate ambition has been integrated within the business model, especially with time-bound OPEX and CAPEX. **Australia has the opportunity to become a regional sustainable finance hub.** Sustainable finance skills and competencies could be seen as a mechanism through which Australia provide education and learning services to our region. Additional gaps in the Australian capability and practice surrounding transition plans include: ● Ensuring board skills are current and credible, prioritising diversity and board renewal to avoid out-dated, incumbent industry group think

	● Supporting policy and regulatory frameworks ● Carbon pricing mechanisms ● Regulatory certainty for new technologies ● Industry-specific targets and plans ● Clear pathways for industry transition ● Investment and financing goals, targets, and support ● Community engagement and just transition ● Local and regional planning ● Infrastructure and technological innovation ● Data and analytics ● Collaboration and stakeholder engagement ● Education and workforce development ● International benchmarking ● Environmental and social impact assessment ● Cultural change

To what extent will ISSB-aligned corporate disclosure requirements improve the transparency and credibility of corporate transition planning? What additional transition disclosure requirements or guidance would be most useful in the medium-term?	- Alignment with ISSB S1 and S2 should be a priority for accounting standards for international consistency and compatibility. S1 particularly provides the more important basis for transition plans as it requires companies to assess all material sustainability risks and opportunities rather than a singular focus on climate.
	- However, **corporate transition planning and sustainability disclosures should not be limited to ISSB standards because:**
	    - ISSB based on SASB standards is not exhaustive as to the issues that may be relevant to individual companies.
	    - ISSB's single materiality approach risks disguising impacts on the environment and society and so does not accord with sustainable finance objectives
	    - S2 does not set specific requirements for transition plans; rather, it requires disclosure of those plans where they exist, meaning further guidance is needed.
	
	Additionally:
	- Not all companies need detailed transition plans, but science-based and conservative plans should be mandatory for high-emission sectors in preparation for inevitable ratcheting up of the price on carbon and market / social / policy response to laggards, and the growing financial risks of stranded assets.
	- The government in collaboration with regulators and industry should provide guidance which

	outlines the types of impacts that should be planned for and how/where credible projections can be sourced to support transition planning. - A focus on the climate literacy and cognitive diversity of all company directors and relevant decision-makers is critically needed, including through mandated learning requirements. Trustees cannot have adequate oversight and companies cannot plan for things they do not understand.
Are there related priorities and opportunities for supporting enhanced target setting and transition planning for nature and other sustainability issues?	A credible safe climate transition requires **better linking of finance** with other cross industry goals. It's not sufficient to set goals for climate, without **setting goals for finance** and the same is true for industry sectors, nature, waste, buildings etc.
Priority 4: Develop a labelling system for investment products marketed as sustainable	
What should be the key considerations for the design of a sustainable investment product labelling regime?	A product labelling regime should be treated as very different and distinct from the Taxonomy whose stated purpose is to mobilise, not label, green and transition capital. To that end, there should be a clear label that identifies activities that cause, catalyse or contribute to sustainability objectives. This will reduce greenwash and ensure sustainability-seeking capital can make choices based on real world impact and additionality. We also advocate strongly for warning labels on financial products which may cause harm to environment and/or society e.g. fossil fuel warnings, just like warning labels on tobacco. Investors should have the right to opt-in to high emissions portfolios, but the regulator needs to make passive index funds and default options benchmarked against forward facing, low emissions industry and market profiles, not the current rearward facing highly emissions industry benchmarks of the Australian economy of old.
How can an Australian model build off existing domestic approaches and reflect key developments in other markets?	Australia can create a labelling model that enhances the credibility and effectiveness of promoting sustainable finance in the Australian market. We recommend the following steps to developing domestic best practice:

	• Global benchmarking • Alignment with international standards and global initiatives • Stakeholder engagement • Regulatory coordination • Flexibility and adaptability • Transparency and reporting • Materiality assessment • Investor education • Third-party verification • Standardised impact metrics • The establishment of core ESG metrics • Tax incentives and support mechanisms • Collaboration with industry • Regular review and updates
Pillar 2: Financial system capabilities	
Priority 5: Enhancing market supervision and enforcement	
Are Australia's existing corporations and financial services laws sufficiently flexible to address greenwashing? What are the priorities for addressing greenwashing?	**The government has a unique role to play in the provision of "trust" services**, which is fundamental to a successful reform agenda at pace. Consumer engagement and protections go beyond greenwashing regulation. Trust is built when there is understanding, transparency and accountability of decisions, programs and institutions. **A mechanism needs to be built into the system to ensure a timely response to grievances that are bespoke and systemic in nature.** There must be a specific section in the Commonwealth Government that deals with concerns and grievances from consumers of financial services products. Social media plays a significant role in the promulgation of experiences between consumers. Their experiences with this sector must remain positive. Bad experiences trigger government investigations and whole industries are held up in red tape such as Royal Commissions after the fact. **The government should focus on regulating the entire industry** to ensure that all financial product providers disclose portfolio holdings, exposure to controversial or harmful investments, and approaches to sustainable investment/ESG integration and stewardship.

	Laws already exist that address misleading conduct and are sufficient to address greenwashing; however, to date, the **regulatory focus has been at a product rather than entity level.** Products can make no sustainability claims, while the issuing entity can be without recourse. This should be addressed by regulators. RIAA's consumer survey has consistently shown that consumers expect their existing financial services providers to act ethically and invest sustainably; however, they are not provided with the information to make that judgement. Consumers also need the opportunity to hear about and engage with financial services products related to the transition. Government has a finance responsibility in directly investing in communications that underpin this economic transformation and to assist other stakeholders to do the same.
Is there a case for regulating ESG ratings as financial services?	Regulating ESG ratings is needed for financial services but we note there are arguments both in favour of and against regulating ESG ratings as financial services. Arguments in favour are: ● Enhanced credibility ● Preventing conflicts of interest ● Market consistency ● Market integrity Argument against are: ● Innovation ● Regulation burden ● International coordination and consistency In practice, the approach to regulating ESG ratings may vary from one jurisdiction to another. Some countries have started to explore or implement regulations to address ESG ratings' quality and accuracy, while others have opted for voluntary industry standards or codes of conduct. A balanced approach may involve a combination of self-regulation by ESG rating agencies, industry-driven standards, and selective regulatory oversight to address specific issues related to ESG ratings (e.g. alignment of core ESG metrics and the ISSB standards as well as established GRI impact-related frameworks).

	Striking the right balance between regulation and innovation is essential to ensure that ESG ratings are credible and objective so as to continue to serve their purpose while minimizing the risks of misinformation or greenwashing in the market. Financial product providers should be required to demonstrate that ratings or other data they use are reliable and of good quality, perhaps through ISO or other standards, and be able to demonstrate adequate due diligence on third party providers' products. Rating agencies and ESG research providers should have minimum transparency and conflict of interest requirements (e.g. clearly separate ratings and advisory services) and should be regulated as a financial product provider, especially where ratings are used for developing financial products (e.g. ESG indices). Public access to company ESG data like the modern slavery statement register in the UK would support more reliable public access to relevant information.
Priority 6: Identifying and responding to potential systemic financial risks	
Are there specific areas where the Government or regulators could further contribute to market-wide understanding of systemic sustainability related risks, including climate-related financial risks?	There is a significant amount of information available, including state of the environment reports, information from the Human Rights Commission, UN bodies, academics and other credible sources; however, it is not translated and digestible for investor and business audiences. Improving these information flows is vital. Education and knowledge on sustainability issues and promoting integrated systems thinking is necessary. Hundreds of thousands of workers in the finance sector have not developed formal skills in these issues as they were absent from finance and business degrees up until relatively recently. A concerted effort to require baseline knowledge and continuing education in these areas is needed to support better decision-making. Climate risk is based on the type and severity of hazard and vulnerability. Identifying and quantifying vulnerability is challenging and requires determining the design of an asset, location, actual materials and quality of build. We urge the Commonwealth to release the findings of its National Climate Risk Assessment.

Priority 7: Addressing data and analytical challenges	
What are the priorities for ensuring that data-related initiatives already underway are tailored to meet the needs of firms and investors?	Please refer to all other mentions of data and analytics within this response, especially with reference to priority 1.
What key sustainability data gaps or uncertainties faced by financial institutions in Australia should be prioritised by the CFR?	- Improve company disclosure in line with feedback at Priority 1 - As stated in Priority 6, translation of the body of information and related education & training on its relevance are needed. - Please refer to all other mentions of data and analytics within this response.
Priority 8: Ensuring fit for purpose regulatory frameworks	
Do you agree that existing regulatory and governance frameworks and practices have adapted well to support better integration of sustainability-related issues in financial decision making? Are there barriers or challenges that require further consideration? This may include: - Corporate governance obligations, including directors' duties - Prudential frameworks and oversight, including in relation to banks and insurers - Regulation of the superannuation system and managed investment schemes	- **Directors' duties and corporate governance obligations in Australia are under scrutiny**, with ongoing debates about whether they sufficiently consider sustainability issues. There is a need for greater clarity and guidance on how directors should address and disclose sustainability risks and opportunities. The legal framework may require further development to explicitly incorporate ESG considerations into directors' duties. For example, refer to the Hutley opinion. - **Prudential frameworks and oversight in Australia have made progress** in recognising climate and sustainability risks, but there is still room for improvement. The Australian Prudential Regulation Authority (APRA) has initiated actions to address climate risks, but there are concerns about the pace and effectiveness of these efforts. Additional guidance and supervisory measures may be needed to ensure that financial institutions adequately assess and manage climate and sustainability risks - **Regulation of the superannuation system in Australia is evolving** to include a focus on sustainability. However, there are challenges related to defining and measuring the sustainability of investments as well as ensuring that superannuation funds act in the best interests of their members while considering ESG factors. Your Future Your Super (YFYS) requirements at present do not favour capital flows to make investments that support the Australian economy to transition to net zero, because they force

	superfunds to skew investments towards a backward view of the largest equities, banks, retailers, gas companies, toll roads and airports. This redirection of capital is stifling innovation, slowing the transition of the Australian economy and putting superannuation returns at risk. Economists have shown that 'the increased investment will increase real GDP by $170 billion over 10 years, create 620,000 new green jobs and reduce inflation 7% over the same time period' (Mandala Partners,2023). Renewable energy infrastructure from enhanced superannuation regulation enables Labor to deliver on a core commitment to voters to address climate change whilst pointing to new job creation, economic growth, and reducing inflation. - **To play a supportive role in a transition to a sustainable economy, the culture in the finance sector must change.** The Banking royal commission exposed ethical lapses that have not been fully addressed. Promoting good stewardship and ethics through various means, including the banking finance oath, whistle-blower protections, clarification of fiduciary responsibilities, public interest duties for banks (which receive explicit and implicit government guarantees), improving diversity, and changes to legislation that encourages homogeny like YFYS are all important for making the industry fit for the task of supporting the transition.
What steps could the Government or regulators take to support effective investor stewardship?	Here are some key actions the Australian government and regulators can consider: ● Promote transparency and reporting ● Strengthen proxy voting guidelines ● Enhance stewardship codes ● Engagement disclosure ● Shareholder resolutions ● Educational initiatives ● Fiduciary duty clarification ● Incentives for responsible stewardship ● Collaboration platforms ● Disclosure standards and guidance ● Diversity and inclusion in boardrooms ● Long term value focus ● Collaboration with international initiatives ● ESG integration guidance and training ● Regulatory oversight and enforcement
Pillar 3: Australian Government leadership and engagement	

Priority 9: Issuing Australian sovereign green bonds	
What are the key expectations of the market around issuance of, and reporting against, sovereign green bonds? What lessons can be learned from comparable schemes in other jurisdictions?	The issuance of sovereign green bonds and reporting against them is becoming increasingly important in the Australian market as a means of financing environmentally beneficial projects and addressing climate change. As the Australian Government approaches issuance of green bonds a key consideration should be how its activities support creation of the market not only of green bonds, but of green lending. A question is how the Government could establish initiatives that support lending for smaller and medium customers for the purposes of investing in nature. One option is for the Government to provide credit enhancement for bonds and loans that focus on nature-related investments. Australia can leverage key expectations and lessons from comparable schemes in other jurisdictions to develop its sovereign green bond framework, ensuring that it aligns with international best practices and meets the needs and expectations of investors and the broader market: ● Transparency - Investors and stakeholders expect transparency in how the proceeds from sovereign green bonds are allocated and used (source: KangaNews 2023 Survey) ● Effective communication, transparency, and ongoing reporting are critical to building trust in the green bond market ● Reporting against predefined environmental objectives and impact metrics is crucial to demonstrate the bond's effectiveness ● Environmental impact ● Alignment with international standards ● Use of proceeds ● Regular reporting and disclosure ● Verification and certification ● Climate risk management ● Investor engagement ● Sustainability linked bonds
What other measures can the Government take to support the continued development of green capital markets in Australia?	To create a favourable environment for sustainable finance and investment, some key actions include: ● Establish a clear policy framework ● Set ambitious emissions reduction targets ● Green taxonomy and standards

	- Green bond and loan support - Sustainable infrastructure investment - Renewable energy incentives - Mandatory ESG reporting - Support for sustainability linked loans - Enhanced environmental regulations - Public-private partnerships (PPPs) - Climate risk assessment and disclosure - Education and awareness - Support for sustainable agriculture - Sustainability innovation funding - Collaboration with international initiatives - Green procurement - Regulatory flexibility for start ups There are opportunities for Australia to become a centre for green asset backed securities (ABS). We would highlight distributed solar, batteries, energy retrofits and community infrastructure as areas where green ABS could thrive. Initiatives to develop green finance markets need to align to the large pools of capital in the Australian economy, and this includes resolving barriers such as YFYS to allow superannuation funds to be able invest. A key opportunity is green infrastructure. Opportunities exist not only for assets that support decarbonisation but for infrastructure that supports biodiversity outcomes. From an investment perspective, infrastructure investment can be unlocked through off-take and availability payments. Infrastructure investors and governments are familiar with these structures which have been used for renewable energy investments and desalinisation plants. These measures can collectively support the growth of green capital markets in Australia, attract sustainable investments, and contribute to the country's transition to a more sustainable and low-carbon economy. Effective coordination between government bodies, financial institutions, and the private sector is essential for the success of these initiatives

Priority 10: Catalysing sustainable finance flows and markets	
What role can the CEFC (clean energy finance corp) play to support scaling up of sustainable investment in Australia, as part of a more comprehensive and ambitious sustainable finance agenda?	The CEFC is playing an important role investing in pre-seed to growth-stage technology companies focused on decarbonisation and to provide financing for first of a kind financing in the domestic context so as to build Australian capacities, derisking the process for subsequent investments as we scale up and learn by doing. We would strongly argue the scale and speed of energy transformation and technology disruption means there is a key role for public-private partnerships so we call for further Australian Government support. We are encouraged by the $15bn investment in establishing the National Reconstruction Fund, and would encourage the Government to leverage the existing public financial institutions of ARENA, NAIF and EFA. CEF would also call for a national strategic objective to be given to a $20bn special purpose fund within the Future Fund to support and enhance domestic renewable energy powered value-adding of our world leading mining sector alongside its aim of maximising risk adjusted returns to ensure equity capital is available in the Australian market and local ownership is encouraged, in part to ensure these Australian businesses continue to pay Australian corporate tax. It is critically important for public financial entities to leverage their independent boards and highly skilled staff to work to build a bridge between Australia's science community and Australia's private superannuation system through the various proposals throughout this consultation. The CEFC's role is to act as a catalyst, providing both financial support and expertise to accelerate the transition to a low-carbon, sustainable economy in Australia. By doing so, it can significantly contribute to the achievement of ambitious sustainability objectives and support the scaling up of sustainable investment in the country. CEFC's core focus is on delivering transactions. There is scope for CEFC to: - adopt a leadership role in shaping the underlying system architecture for sustainable investment - greater involvement in the retail end of the electricity sector including small-scale distributed energy. - take on more risk, particularly in relation to deployment of proven renewable capacity and storage technology to support market development Some key functions and strategies that the CEFC could employ to drive sustainable investment include: ● Direct investment ● Catalysing private capital ● Innovative financial products

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Partnerships and co-financing
Risk mitigation
Technical assistance
Research and market insights
Green certification and standards
Capacity building
A geographic mandate expansion to leverage the skills base of the CEFC to cover our Asia Pacific neighbours (working in alignment with DFAT and Austrade), as per our Paris Agreement commitments under the common but differentiated responsibilities.

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<tr><td>What are the key barriers and opportunities for the CEFC to support financing and market development in areas with significant climate co-benefits, including nature and biodiversity?</td><td>
Barriers to consider:

Limited investment awareness
Valuation challenges
Policy and regulatory hurdles
Short-term focus
Scale-up challenges

Opportunities:

Climate co-benefits
Alignment with the UN-SDGs (SDG-10 and SDG-12 expected to drive the greatest multiplier effect across all other SDGs)
Public and private collaboration
Market innovation
Regulatory support
Data and metrics
Ecosystem services valuation & integration into financial models
Innovative financing models, managing domestic content requirements, collective procurement agreements to underwrite domestic manufacturing capacity establishment.

Australia has world leading public financial institutions. Rather than excessively broadening the CEFC mandate, we would recommend the Government access the equity sector skills base of the Future Fund. Likewise, Export Finance Australia’s role could be expanded to provide working capital and strategic stockpiles development, leveraging new long term minimum price offtake agreements for new critical mineral mine developments so as to crowd in private finance, potentially in collaboration with key Australian allies (e.g. the QUAD, Indonesia and South Korea).
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	We would highlight the opportunity for CEFC to develop financial markets in areas that are currently not mature. Examples include the development of green asset backed securitisation (ABS) markets which the CEFC can play a role in facilitating. The CEFC should be given a clear mandate to work towards addressing market impediments where they exist. Deliver household transition financing in conjunction with state and local governments.
Priority 11: Promoting international alignment	
What are the key priorities for Australia when considering international alignment in sustainable finance?	Standardise definitions, metrics and indicators that incorporate sustainability measurement into corporate reporting and accounting frameworks such as the ISSB, TCFD and TNFD. This will be important for both businesses and finance in driving sustainable investment, including in Australia. A key priority for the Australian Government should be to support financial system capacity building aligned to the G20 Sustainable Finance Working Group.
Priority 12: Position Australia as a global sustainability leader	
What are other key near-term opportunities for Australia to position itself as a global leader in sustainable finance and global climate mitigation and adaptation?	• Green bond issuance • Sustainable infrastructure investment • Climate risk assessment • Investor engagement • Nature-based solutions • RE expansion • EV adoption • Circular economy initiatives • Indigenous-led conservation • Climate-finance leadership • Sustainable finance expertise • Ecosystem services markets • Innovation in sustainable finance • Knowledge sharing and research

What are some longer-term international sustainability goals for Australia where sustainable finance can play a role?	- Net-zero emissions by 2050 or sooner in line with the science - Green technology innovation - Global climate leadership - Sustainable infrastructure development - Nature and biodiversity conservation - Resilience and climate change - Sustainable agriculture and food security - Water resources management - Zero waste and circular economy - E and S responsibility in business - Environmental education and awareness - Indigenous led conservation and land stewardship - Ecosystem services markets
What are the key market, regulatory and institutional barriers to increasing private sector engagement in blended financing opportunities? How can these barriers be overcome?	Market barriers: - Improve risk-sharing mechanisms through guarantees, insurance, and credit enhancement facilities to provide private sector investors with more confidence in blended finance projects - Strengthen project preparation and development facilities that help structure and de-risk projects before presenting them to private investors - Demonstrate the potential for scale by supporting pilot projects that showcase the commercial viability and impact of blended finance investments Regulatory barriers: - Work with governments to establish transparent and stable regulatory frameworks that protect private sector interests and provide clear rules for investment - Implement currency risk mitigation tools, such as currency swaps or hedging mechanisms, to protect private sector investors from currency fluctuations Institutional barriers: - Foster collaboration through regular dialogues, the sharing of best practices, and creating forums for stakeholder engagement. Developing a common language for blended finance can enhance communication - Shortage of exit strategies - Develop clear exit strategies for private sector investors and exit options, such as secondary markets or trade sales, to ensure they can withdraw their investments when desired

	Transparency and reporting: - Encourage transparent reporting by project developers, governments, and development institutions, providing private sector investors with the information they need to make informed decisions. Alignment of incentives: - Align incentives through contractual arrangements, shared performance objectives, and outcome-based incentives to ensure all stakeholders are working toward a common goal. Overcoming these barriers requires a concerted effort from governments, development institutions, private sector actors, and civil society. Public-private collaboration, sound project preparation, clear regulations, and capacity-building initiatives are essential for unlocking the potential of blended finance in addressing development challenges.
What are other means to mobilise private sector finance toward sustainability solutions in the Indo-Pacific region?	● Green finance initiatives ● Regulatory and policy support ● PPPs ● Capacity building and technical assistance ● Innovation and technology adoption ● Sustainable agriculture and fisheries ● Natural resources management ● Infrastructure development ● Responsible supply chains ● Sustainable finance hubs