



CLIMATE ENERGY FINANCE

Super opportunity: Government review of YFYS Performance Test

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Australia's superannuation industry is on track for massive growth, projected to reach a staggering \$13.6 trillion over the next twenty-four years. This shows the monumental significance of what our superfunds invest in, placing them at the heart of the nation's financial landscape. [According to a new report by Mercer](#), by 2048, the value of superannuation assets is expected to be 176% of Australia's GDP, demonstrating its immense significance to the country's economic well-being and direction.

However, superfunds have been stymied from investing in where our economy needs to go, the clean energy transition and decarbonisation of our economy due in large part to the 'Your Future, Your Super (YFYS) Performance Test, introduced by the Coalition in 2021.

This is why it was great news to see that Treasurer Jim Chalmers has opened a consultation on a key component of super regulation.

The Coalition's Your Future Your Super (YFYS) Performance Test has had a range of 'unintended consequences', including benchmark hugging, limiting superfunds' investment in clean technology, low-carbon equities, and their ability to align investment strategies with future risks and opportunities such as climate change.

In opening up the consultation period, Treasurer Jim Chalmers and Assistant Treasurer Stephen Jones stated that:

"The performance test is driving good outcomes, but industry has raised concerns the current test is holding back investment in some sectors that could provide strong returns for members, such as the energy transition and affordable housing."

The Government paper outlines four reform options for consideration. Option 1 proposes retaining the current framework with improvements. Option 2 explores a different single-metric framework, while Option 3 suggests a multi-metric framework for a more comprehensive performance assessment. Finally, Option 4 allows stakeholders to propose entirely new frameworks.

To remove the blockages imposed on superannuation funds by investing in climate solutions, the YFYS Performance Test must be urgently reformed. It is in the best interest of superannuation members that the industry is freed up to invest in and benefit from our economy's energy transition and decarbonisation opportunities.

This is a crucial opportunity to ensure the settings of superannuation are right and aligned to the best interests of the Australian public, not tied to hugging historic industries.

[Submissions close April 19.](#)