

41ST PARLIAMENT



Public Accounts Committee

Report 11

'GREEN AND GOLD': Securing economic growth with sustainable investment

Presented by Mrs L.M. O'Malley, MLA

August 2024

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Public Accounts Committee

'Green and Gold': securing economic growth with sustainable investments

Report No. 11

Presented by

Mrs L.M. O'Malley, MLA

Laid on the Table of the Legislative Assembly on 15 August 2024

Inquiry Terms of Reference

The Public Accounts Committee will inquire into and report on how the Western Australian Government's progress towards achieving Environmental, Social and Governance (ESG) outcomes is assisting to secure international investment.

The Committee will consider:

1. How the State Government's commitment to net zero emissions by 2050 will help improve ESG outcomes.
2. How the State Government is actively engaging Aboriginal and young people in this decision-making.
3. Milestones in place for achieving ESG outcomes including any monitoring and reporting requirements.
4. Best practice in other jurisdictions.
5. The financial implications of doing nothing.

The Committee will report to the House by the end of August 2024.

Chair's Foreword

'Green and Gold': Securing economic growth with sustainable investments, is the Public Accounts Committee's 11th report in this 41st Parliament. In June 2023, the Committee resolved to inquire into and report on how the Western Australian Government's progress towards achieving Environmental, Social and Governance (ESG) outcomes is assisting to secure international investment. We considered the following; how the State Government's commitment to net zero emissions by 2050 will help improve ESG outcomes, how the State Government is actively engaging Aboriginal and young people in this decision - making, milestones in place for achieving ESG outcomes including any monitoring and reporting requirements, best practice in other jurisdictions, and the financial implications of doing nothing.

Upon adopting our chosen topic and terms of reference, we next undertook wide-ranging evidence gathering to gain a greater understanding of our chosen subject area. This helped us fulfill our role as the Public Accounts Committee of inquiring into and reporting back to the Assembly on any proposal, matter or thing we consider necessary that relates to the receipt and expenditure of public moneys. While undertaking the future-focused task of examining potential economic opportunities and risks associated with transition to a low carbon future for Western Australia, it is important to state that this is not a climate inquiry. However, the Committee recognises the need for climate change mitigation and adaptation and the urgency of these actions and the basis upon which they are set.

The most recent reporting cycle of the Intergovernmental Panel on Climate Change, the Sixth Assessment Report (IPCC AR6), indicates that future impacts of climate change on the environment and communities will likely worsen. These impacts are expected to be less severe if global average warming is limited to 1.5°C, but meeting this limit requires a strong, rapid reduction of greenhouse gas emissions. Put simply, we did not examine if the transition to a net zero carbon future is required, we accepted this is an absolute necessity.

The Public Accounts Committee undertakes inquiries through a financial lens and recognises that while the impacts of climate change are more commonly associated with the environment and communities, climate change also presents material risks to the global financial system. These risks must be managed by capital markets and corporations, and governments have a role to play in incentivising climate action and providing regulatory environments to reduce emissions and help identify and respond to financial risks.

The Committee acknowledges the unique financial, social and environmental situation of Western Australia's transition to a low carbon economy, along with the importance of achieving this in a way which is fair and equitable for everyone. We recognise that Western Australia's pathway to net zero by 2050 will be different to other jurisdictions,

and we understand that there is a role for WA to contribute to national and global emissions reduction efforts.

Additionally, as awareness and understanding of climate-related risks trend upwards, so too has a concurrent trend: investor interest in wider environmental, social and governance (ESG) performance. Investors and stakeholders are putting an increasing level of importance on non-financial considerations when making investment decisions. Reporting ESG factors helps investors assess the overall sustainability and ethical performance of an entity. These entities that perform well on ESG are considered to have lower investment risk and are better positioned for the long term.

In light of these emerging trends, the Committee looked to understand the pressure building on governments to embed environmental and social considerations in their decision-making to ensure their competitiveness in the global investment market. Accordingly, we chose our inquiry topic into how the State Government's progress towards achieving ESG outcomes is assisting to secure international investment.

The Inquiry subject matter covers dynamic, wide reaching and multifaceted fields, it is fascinating, fast-paced and still evolving. However, there were a few areas which emerged as key themes throughout our evidence gathering. Specifically, that WA's commitment to net zero emissions plays a particularly important role in demonstrating the State's ESG credentials. Further, our emissions reduction pathways must be transparent, and related milestones met, for the State to continue to attract international investment. We also heard repeatedly of the importance of policy alignment with national and international accounting and reporting standards.

Consequently, we resolved to focus on one key ESG area identified within the environment factor: the role of the State Government in adopting policies that align with national policy developments and international trends to ultimately attract and maintain investment into WA. This is not to suggest that the social and governance factors do not share equal significance, ultimately, we felt that focusing on "greening" of financial markets was of greatest significance to our Inquiry.

The information we have gathered has greatly informed our understanding and considerations of these issues. The findings in this report outline selected aspects of the climate action, sustainable finance and investment space. Taking into consideration the evolving policy and regulation landscape, we make some broad recommendations highlighting opportunities for the State Government to continue to improve its ESG outcomes and secure further investment into Western Australia.

On behalf of the Public Accounts Committee, I would like to congratulate and sincerely thank our committee staff, Principal Research Officer Michele Chiasson and Research Officers Rachael Wilkins and Marie Martin for their skill, professionalism and dedication to supporting our committee through an inquiry topic of great complexity. Thank you to my Deputy Chair, Member for Vasse, Libby Mettam, the Member for Bateman, Kim

Giddens, Member for Darling Range, Hugh Jones, and the Member for Geraldton, Lara Dalton, for sharing their knowledge, time, insights and wisdom throughout the Inquiry process and the production of this report.

A handwritten signature in blue ink, appearing to read 'L.M. O'Malley', with a long horizontal flourish extending to the right.

MRS L.M. O'MALLEY, MLA
CHAIR

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Executive Summary

The most recent reporting cycle of the Intergovernmental Panel on Climate Change, the Sixth Assessment Report, indicates that future impacts of climate change on the environment and communities will likely worsen. These impacts are expected to be less severe if global average warming is limited to 1.5°C, but meeting this limit requires a reduction of greenhouse gas emissions.

While the impacts of climate change are more commonly associated with the environment and communities, climate change also presents material risks to the global financial system. These risks must be managed by capital markets and corporations, and governments have a role to play in incentivising climate action and providing regulatory environments to reduce emissions and help identify and respond to financial risks.

As awareness and understanding of climate-related risks have been trending upwards, so too has a concurrent trend: investor interest in wider environmental, social and governance (ESG) performance. However, unlike climate action, considerable interest in ESG performance has increased only in recent years.

In light of these emerging trends, the Public Accounts Committee (the Committee, we, us) looked to understand the pressure building on governments to embed environmental and social considerations in their decision-making to ensure their competitiveness in the global investment market. Accordingly, in June 2023, the Committee announced its Inquiry into how the State Government's progress towards achieving ESG outcomes is assisting to secure international investment. The Terms of Reference for the Inquiry can be found on page ii.

The Inquiry topic covers dynamic, wide reaching and multifaceted fields. Consequently, as the Public Accounts Committee we resolved to focus on one key area: the role of the State Government in adopting policies that align with national policy developments and international trends to ultimately attract and maintain investment into WA.

While the overall inquiry subject area is broad, the Committee received just 18 submissions to the inquiry. However, the varied origin of these submissions – from State Government entities to advocacy groups and individuals – suggests wide ranging interest. We heard about this interest and further opinions in public hearings held throughout the Inquiry period. During investigative travel to Victoria, New South Wales and Queensland, we had 13 briefings to understand developments in other jurisdictions.

The information we have gathered has greatly informed our understanding to assist with our considerations of these issues. The findings in this report cover selected aspects of climate action, sustainable finance and investment. Taking into consideration the evolving policy and regulation landscape, we make some broad recommendations highlighting opportunities for the State Government to continue to improve its ESG outcomes and secure further investment into WA.

Chapter 1 sets the scene for subsequent chapters, outlining the inquiry process and considerations, and discussing background information on key developments in the global

sustainability agenda. In particular, the Chapter looks at the United Nations' Sustainable Development Goals, the Paris Agreement and the developments in climate science that shaped international commitments to net zero emissions by 2050. These developments all provide context for the sustainable finance and financial disclosure regimes either proposed or already implemented around the world.

Chapter 2 looks at the ever-increasing pressure to demonstrate ESG credentials, and how investor interest is driving a global shift towards more sustainable financing options, including the issuance of green bonds. We discuss how Western Australia is responding to this shift with the release of a Sustainability Bond Framework for the issuance of green bonds. The inaugural green bond was released in June 2023 and has raised \$1.9 billion in funding for eligible State Government projects that deliver positive environmental outcomes. Consequently, we recommend that opportunities to expand WA's green bond program should be considered.

Beyond initiatives in WA, Chapter 2 also discusses the sustainable finance movement at the national level, providing an overview of consultation on the Sustainable Finance Strategy and the release of the Sustainable Finance Roadmap, which outlines priorities that mobilise the capital required to achieve net zero, to "green" Australia's financial markets and maximise opportunities in the energy transition. One of these priorities is to continue developing an Australian Sustainable Finance Taxonomy; a framework to classify economic activities and assets that positively contribute to sustainability.

A key message we heard throughout the inquiry is that, of all ESG outcomes, WA's commitment to net zero emissions plays a particularly important role in securing international investment. Chapter 3 considers the evidence we heard regarding the role of decarbonisation commitments in attracting investor interest. Accordingly, we summarise the State Government's primary climate policy and strategies, such as the *Western Australian Climate Policy* and the *Climate Adaptation Strategy*. We also highlight the proposed methods to achieve net zero emissions by 2050, such as the *Sectoral Emissions Reduction Strategy*, and the proposed framework climate change legislation, the Climate Change Bill 2023.

Chapter 3 then discusses the impact of WA's industries on emissions levels, and how we heard overwhelmingly that emissions reduction pathways must be transparent, and related milestones met, to continue to attract international investment. As a result, we recommend that information and reporting of WA's pathway to net zero emissions should be open and transparent.

Chapter 4 builds on the theme of transparency, detailing international developments in climate-related financial disclosure frameworks. Considering increased awareness of the potential impacts of climate change to the financial system, these disclosures intend to help investors, lenders, insurers and others adequately assess entities' climate-related risk in their decision-making. Consequently, in this Chapter we discuss key developments in the climate-related disclosure space, including the origins and recommendations of the Task Force on Climate-Related Financial Disclosures, and their uptake by the International Sustainability Standards Board to issue standards that provide a comprehensive global baseline.

We then shift our focus to the national level, looking at the Australian Government’s anticipated mandate of disclosures proposed by the Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024, proposed disclosure standards currently in development by the Australian Accounting Standards Board, and the Commonwealth Department of Finance’s disclosure framework for Australian Government entities. Since this climate disclosure landscape is rapidly evolving, we outline how the State Government is preparing for the national mandatory disclosure regime. We look at the State’s role in building capacity to respond to proposed requirements, both internally and for sectors with less capacity to quantify climate mitigation needs. Consequently, we recommend that adequate capacity be ensured across State Government entities to meet emerging climate risk reporting, auditing and assurance requirements, and for targeted support to be provided to the small and medium enterprise sector to better respond to climate adaptation and mitigation demands coming down the value chain.

Given climate change is expected to disproportionately impact Aboriginal and young people, Chapter 5 examines approaches taken in WA, and other Australian jurisdictions, to include and be informed by the voices of these groups in decision-making. Informed by the evidence we received in public hearings and briefings, we outline some of these different approaches. Ultimately, we recommend continued evaluation and expansion of methods to strengthen Aboriginal engagement across government decision-making.

Ministerial Response

In accordance with Standing Order 277(1) of the Standing Orders of the Legislative Assembly, the Public Accounts Committee directs that the Premier, Treasurer, Minister for Climate Action and the Minister for Small Business report to the Assembly as to the action, if any, proposed to be taken by the Government with respect to the recommendations of the Committee.

[The Committee requests that the Premier provide a Government Response on behalf of all ministers listed above.]

Findings and Recommendations

Chapter 1 – Context and Background

Finding 1	Page 5
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The United Nations Sustainable Development Goals have increasingly been viewed as the internationally accepted reference for measuring and reporting business, industry, and national-level sustainability credentials.

Finding 2	Page 6
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The Paris Agreement is a legally binding international treaty that aims to strengthen global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty.

Finding 3	Page 6
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Under the Paris Agreement, countries must establish their own emissions reduction targets through Nationally Determined Contributions which must be updated every five years.

Finding 4	Page 8
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According to the Intergovernmental Panel on Climate Change's *Report on Global Warming of 1.5°C*, limiting warming to 1.5°C implies reaching net zero emission by 2050.

Finding 5	Page 8
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Modelling included in the Sixth Assessment Report of the Intergovernmental Panel on Climate Change suggests that emissions must be reduced by 43% from 2019 levels by 2030 to limit warming to 1.5°C.

Finding 6	Page 9
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There is a standing commitment from the Western Australian Government to progress and support the United Nations Sustainable Development Goals.

Finding 7	Page 12
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State of the environment reporting and nature related financial disclosures are mechanisms that could improve or strengthen ESG reporting.

Chapter 2 – Greening the Australian finance market

Finding 8	Page 14
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The last decade has seen growing investor interest in ESG outcomes.

Finding 9	Page 14
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ESG outcomes remain relevant to investor decisions and the State needs to keep pace with expectations in all areas of ESG if it wants to maintain its comparative advantage in an increasingly competitive global investment context.

Finding 10	Page 15
ESG performance and reporting is largely focused on climate.	
Finding 11	Page 16
While Western Australia does not currently have a mandated ESG reporting mechanism in place for State Government entities, it does have elements of non-financial reporting.	
Finding 12	Page 17
To keep pace with ESG-based expectations and to attract investment into Western Australia, the State Government released a series of publications (<i>Supporting Continuous Improvement in ESG Outcomes for Western Australia</i>) to highlight the State's ESG credentials.	
Finding 13	Page 19
There has been significant growth in global sustainable bond issuance, particularly over the last five years.	
Finding 14	Page 19
Greenwashing is the practice of misrepresenting the extent to which a product or investment strategy is environmentally friendly, sustainable or ethical.	
Finding 15	Page 21
In May 2023, the Western Australian Treasury Corporation published the State Government's Sustainability Bond Framework. The Framework provides a structure for issuing green, social and sustainability bonds to assist Government finance initiatives to support the Government's commitment to the Paris Agreement.	
Finding 16	Page 21
Sustainalytics, a large global assurance provider, analysed the Sustainability Bond Framework and provided a Second-Party Opinion confirming it aligns to the International Capital Market Association's Principles.	
Finding 17	Page 21
A robust Sustainability Bond Framework limits accusations of greenwashing.	
Finding 18	Page 22
In June 2023, the Western Australian Treasury Corporation issued its first green bond, raising \$1.9 billion in funding for eligible government projects that deliver environmental outcomes for the State.	
Finding 19	Page 22
The Western Australian bond was heavily oversubscribed, indicating strong investor demand.	

Recommendation 1**Page 22**

That the Treasurer consider opportunities to expand Western Australia’s green bond issuance.

Finding 20**Page 25**

There has been a rapid evolution of international financial system approaches to financial stability and ESG issues, especially the inter-related environmental issues of climate change and biodiversity loss.

Finding 21**Page 26**

The aim of the Sustainable Finance Roadmap is to mobilise the significant private capital required to achieve net zero, thereby modernising Australia’s financial markets and maximising the economic opportunities associated with energy, climate and sustainability goals.

Finding 22**Page 26**

The Australian Federal Government is taking a ‘climate first, not only’ approach to sustainable finance.

Finding 23**Page 28**

A sustainable finance taxonomy is a framework to classify economic activities and assets that positively contribute to key sustainability objectives.

Finding 24**Page 28**

The need for a sustainable finance taxonomy sits at the core of sustainable finance policies in many other countries. Already prominent in the European Union, there are over 40 sustainable or green finance taxonomies in place or under development globally.

Finding 25**Page 28**

Development of the Australian Sustainable Finance Taxonomy will continue into 2025, with the Commonwealth Government reviewing the voluntary taxonomy and considering relevant governance arrangements in mid-2025.

Chapter 3 – State Government’s commitment to net zero by 2050**Finding 26****Page 31**

The State Government’s commitment to net zero emissions by 2050 is critical to securing international investment because it provides greater certainty about the State’s pathway and subsequent investment risks and opportunities.

Finding 27**Page 32**

In August 2019, the State Government announced its commitment to net zero emissions by 2050, which initiated more structured climate action.

Finding 28 **Page 32**
The Western Australian Government’s ongoing commitment to net zero emissions by 2050 is a key driver for subsequent and continuing state-wide climate action.

Finding 29 **Page 32**
The Western Australian Climate Policy is, as of July 2024, the Western Australian Government’s overarching guide for state-wide climate adaptation and mitigation efforts.

Finding 30 **Page 36**
The *Sectoral Emissions Reduction Strategy* establishes the State Government’s overarching net zero 2050 plan.

Finding 31 **Page 39**
The Climate Change Bill 2023 proposes requirements for publication of an emissions reduction strategy and a climate adaptation strategy. It is not yet known if the current SERS and the *Climate Adaptation Strategy* are sufficient to meet the requirements of the Bill if passed.

Finding 32 **Page 44**
The Western Australian economy is export-oriented with a large industrial base. This contributes significantly to state-wide emissions.

Finding 33 **Page 44**
Western Australia’s emissions have increased on average since 2005, and now account for around 19% of national emissions.

Finding 34 **Page 46**
Western Australia must contribute to global emissions reduction efforts to avoid environmental, economic and social costs, and to help fulfil Australia’s obligations under the Paris Agreement.

Finding 35 **Page 46**
The State Government has demonstrated that it has recognised the need for Western Australia to contribute to global emissions reduction efforts, as is required to achieve the goals of the Paris Agreement, and has begun to implement policies and strategies to achieve this.

Finding 36 **Page 48**
Methods of emissions reduction in the State will be influenced by the Safeguard Mechanism, a Commonwealth regulatory Framework.

Finding 37 **Page 50**
Western Australia’s resources will be necessary for the global energy transition, so demand for them will increase during the transition to net zero emissions. To meet this demand, the State’s industrial output may increase. This means our emissions may increase before they decrease, making our likely pathway to net zero different to other Australian jurisdictions.

Finding 38 **Page 51**
The State Government has acknowledged that Western Australia will likely have a different pathway to net zero emissions; emissions are likely to increase before they decrease.

Finding 39 **Page 52**
To continue to attract investment, Western Australia must outline an open, transparent pathway to net zero emissions which considers its industrial load and how its decarbonisation pathway will likely be different to other Australian jurisdictions.

Finding 40 **Page 54**
The Committee heard that while emissions reduction targets are important, providing an open and honest emissions reduction pathway was more important for attracting international investment.

Finding 41 **Page 56**
The State Government has recognised the need for an open, transparent pathway to net zero emissions to continue attracting international investment. Legislated provisions for emissions reduction targets have a primary role in this pathway, along with related strategies, plans and an annual climate change report. As of July 2024, this is proposed by the Climate Change Bill 2023.

Finding 42 **Page 58**
Western Australia’s commitments to emissions reduction pathways to net zero must be met for the State to continue to attract international investment.

Recommendation 2 **Page 58**
That the Minister for Climate Action ensures that information and reporting of Western Australia’s pathway to net zero emissions is transparent and open to ensure investor confidence.

Chapter 4 – Measuring and reporting climate-related risk

Finding 43 **Page 62**
The Task Force on Climate-Related Financial Disclosures is a global, voluntary climate-related financial risk and opportunity management framework for financial institutions and other businesses.

Finding 44 **Page 62**
Several governments, regulators and standard setters have incorporated or drawn from the Task Force on Climate-related Financial Disclosures' recommendations in developing climate-related reporting requirements and standards.

Finding 45 **Page 62**
Concurrent with the release of its 2023 Status Report in October 2023, the Task Force on Climate-related Financial Disclosures fulfilled its remit and disbanded.

Finding 46 **Page 64**
In creating the standards, IFRS 1 and IFRS 2, the International Sustainability Standards Board set out four objectives:

- To be a 'global baseline' for disclosures,
- To meet the information needs of investors,
- To enable companies to provide comprehensive information,
- To facilitate interoperability with jurisdiction or stakeholder-group requirements.

Finding 47 **Page 65**
Adopting internationally aligned climate-related financial disclosures will bring Australia in line with other jurisdictions, including the EU, UK, New Zealand and Japan, to help draw the investment required for the transition to net zero.

Finding 48 **Page 66**
Small and medium businesses are exempt from mandatory climate-related financial disclosure requirements. However, as suppliers to large entities, they will be impacted once large entities are required to report their Scope 3 emissions.

Finding 49 **Page 67**
Reporting Scope 3 emissions will be required from the second year of mandatory climate-related financial disclosure reporting. This includes emissions that occur throughout the supply chain of large entities.

Finding 50 **Page 68**
If passed, the Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024 (Commonwealth) will introduce mandatory requirements for large businesses and financial institutions to disclose their climate-related risks and opportunities.

Finding 51 **Page 68**
Under the Commonwealth's Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024, public and private entities would be required to disclose against two global warming scenarios:

- 1.5°C above pre-industrial levels;
- One other global warming pathway (e.g. 2°C or 2.5°C).

Finding 52 **Page 69**
In October 2023, the Australian Accounting Standards Board released two draft Australian sustainability reporting standards for public consultation.

Finding 53 **Page 70**
Stakeholder feedback on the Australian Accounting Standards Board draft standards suggests the need for greater alignment with the International Sustainability Standards Board's standards.

Finding 54 **Page 73**
The State Government's climate risk framework pilot program is the primary initiative preparing the public sector for future climate-related disclosure requirements.

Finding 55 **Page 75**
The State's climate risk framework pilot program aligns with emerging national and international climate-related financial disclosure standards. This will ensure the WA public sector can be as prepared as possible prior to the start of national mandatory reporting.

Finding 56 **Page 77**
Western Australia's capacity to audit climate-related disclosures will need to be prepared to meet the expectations of international investors.

Finding 57 **Page 78**
Western Australian public sector entities should wait to disclose climate-related risks in their financial statements until a formal disclosure framework and accompanying guidelines are in place.

Finding 58 **Page 78**
The impetus for the private sector to build capacity is driven more by investors and shareholders than it is by government.

Finding 59 **Page 79**
There is a need to build capacity within the public sector, but it will take time as the climate risk space is an emerging and complex area.

Recommendation 3 **Page 79**
That the Premier and Treasurer work with relevant ministers to ensure capacity within all State Government entities is adequate to meet emerging climate risk reporting, auditing and assurance requirements.

Finding 60 **Page 79**
The College at Western Sydney University has developed a Climate Risk Ready course for public sector employees interested in understanding how climate change may impact their organisation, and for employees with responsibility for managing those impacts.

Finding 61**Page 81**

The Department of Water and Environmental Regulation recognises that small and medium enterprises generally have less capacity to understand the risks, opportunities and management strategies related to climate adaptation and emissions reduction.

Recommendation 4**Page 81**

That the Minister for Small Business continues to work with the small and medium enterprise sector to help build their capacity to understand risks and opportunities related to climate adaptation and emissions reduction to remain competitive.

Chapter 5 – Engaging Aboriginal and young people in State Government decision-making

Finding 62**Page 84**

Aboriginal people have been developing resilience strategies to adapt to changing environments for centuries.

Finding 63**Page 84**

Historically, the State Government has not given sufficient consideration to Aboriginal perspectives and experiences in its approach to policy development and service delivery in Western Australia.

Finding 64**Page 85**

In consultation with external First Nations' partners, Queensland has developed its *Gurra Gurra Framework 2020-2026* to embed First Nations peoples' knowledge and leadership in their systems, policies, and programs.

Finding 65**Page 86**

As part of the outcome budgeting reforms, New South Wales Treasury works with government departments to embed a greater focus on Indigenous outcomes in alignment with the National Agreement on Closing the Gap.

Finding 66**Page 87**

The South Australian Parliament's First Nations' Voice has established a direct and independent line of communication for First Nations people to South Australia's Parliament and government.

Finding 67**Page 89**

In Victoria, the *Treaty Authority and Other Treaty Elements Act 2022* was enacted in August 2022. The purpose of the Act is to:

- Recognise the Treaty Authority's establishment under the Treaty Authority Agreement;
- Facilitate the operation of the Treaty Authority by giving legal force to its activities;
- To amend the Treaty Act in relation to the treaty negotiation framework and the administration of the self-determination fund.

Finding 68 **Page 90**
The *Native Title Act 1993* (Cth) gives statutory recognition and protection of Native Title. The combined area of registered and determined Native Title claims covers approximately 85% of Western Australia’s land mass.

Finding 69 **Page 91**
The Aboriginal Advisory Council provides advice to State Government agencies on policy matters relating to Aboriginal people in Western Australia.

Finding 70 **Page 92**
The *Aboriginal Empowerment Strategy* sets out requirements to encourage State Government agencies ensure Aboriginal people have a defined and systematic role in decision-making and support Aboriginal representation in government decision-making.

Finding 71 **Page 94**
Western Australian State Government departments are recognising the need to move beyond conventional advisory and consultancy relationships with Aboriginal people, towards empowerment and shared decision-making.

Finding 72 **Page 95**
The *Climate Adaptation Strategy* acknowledges that Aboriginal people are significantly and disproportionately impacted by climate change.

Finding 73 **Page 95**
There has been a cultural shift within State Government agencies to recognise the importance of the representation of Aboriginal peoples’ needs and perspectives in decision-making.

Recommendation 5 **Page 95**
That the Minister, in accordance with the *Climate Adaptation Strategy*, ensures the framework for monitoring, evaluation and reporting, to track the implementation of the Strategy’s progress, is developed by 2025 as stated in the Strategy.

Finding 74 **Page 97**
There are a number of ways to better incorporate the perspectives of Aboriginal people in government decision-making.

Finding 75 **Page 98**
The *Aboriginal Empowerment Strategy* and the *Climate Adaptation Strategy* incorporate many of the methods to strengthen Aboriginal engagement, including: the need to develop stronger relationships within the communities, the need to enhance respect and understanding and the benefits of integrating traditional Aboriginal knowledge with western science.

Recommendation 6**Page 98**

That the Premier continues to evaluate and look for ways to strengthen Aboriginal engagement in government decision-making.

Finding 76**Page 98**

Young people are concerned about the environment and the impacts of climate change but often feel their concerns are invalidated by the adults in their lives.

Finding 77**Page 99**

Under the *Commissioner for Children and Young People Act 2006*, 'children and young people' are defined as people under 18 years of age. The Commissioner believes this should be extended to people under 24 years of age.

Finding 78**Page 100**

Traditionally, local governments only seek the advice from youth advisory councils on matters directly relating to young people.

Finding 79**Page 100**

The Commissioner for Children and Young People believes youth advisory councils should be able to provide advice on all matters, not just those relating to young people.

Finding 80**Page 100**

The Ministerial Youth Advisory Council was established to provide advice to the Minister for Youth on matters relating to young people.

Chapter 1

Context and Background

Western Australia is the largest exporting state or territory in Australia, accounting for 47% of the value of Australia’s export of goods in 2023. [Its] main exports are minerals, energy and agri-food.

Western Australian Economic Profile, June 2024,
Department of Jobs, Tourism, Science and Innovation

There is now a historic opportunity to shape a financial system that can more effectively finance the development of an inclusive, green economy.

United Nations Environment Program,
The Financial System We Need, October 2015

- 1.1 In December 2021, the United Nations Secretary-General declared that the climate crisis is a code red for humanity, warning that urgent action is required to place the world on the right trajectory and that every country has a part to play to reduce carbon emissions and adapt to the impacts of climate change.¹
- 1.2 Global emissions reduction efforts are accelerating and the shift to a carbon constrained future is driving interest in sustainable finance markets. International investors are seeking greener, more sustainable opportunities and there is an increasing uptake of corporate accountability for environment, social and governance (ESG) issues.²
- 1.3 The Committee sought to understand the building pressure for governments to embed environmental and social considerations in public sector decision-making to ensure their competitiveness on the global investment market. Accordingly, in June 2023, the Committee announced its Inquiry into how the State Government’s progress towards achieving ESG outcomes is assisting to secure international investment. As we are the Public Accounts Committee, our focus is on state finances and the role of the State Government in adopting policies and strategies aligned with national and international policies to attract and maintain investment into Western Australia (WA).
- 1.4 Throughout the Inquiry, it became evident that demonstrating progress towards ESG outcomes aligned with global expectations, such as the commitments to the Paris

1 United Nations, *Secretary-General’s remarks to the High-level meeting on delivering climate action*, 26 October 2021, accessed 3 August 2024, <https://www.un.org/sg/en/content/sg/statement/2021-10-26/secretary-generals-remarks-the-high-level-meeting-delivering-climate-action-for-people-planet-prosperity>.

2 See for example: Claire Grayston FCPA, 'Investor calls for ESG reporting to heat up', *Intheblack*, 1 December 2021, np.

Agreement or the objectives of the United Nations' Sustainable Development Goals (both discussed later in this Chapter), were necessary to ensure investor interest into the future.³

- 1.5 During the Inquiry, climate change was consistently raised as the dominant ESG issue, and the issue most affecting WA's investment attractiveness. Chapter 3 of this report examines the State Government's commitment to net zero greenhouse gas emissions by 2050 and the primary climate policies, strategies and proposed methods to achieve this commitment.
- 1.6 The Committee acknowledges WA is an export-oriented economy with minerals (iron ore, gold and lithium), energy (liquefied natural gas) and agri-foods (wheat, canola seeds and barley)⁴, all relatively high emissions industries, as its top three exports. The Committee is also aware of how important exports are to the State's economy, noting in 2023 the total value of the State's export market was \$262.8 billion, representing 47% of the value of Australia's total export market.⁵
- 1.7 In addition to WA's reliance on export markets, foreign investment is integral to the economy by providing capital to finance new industries and enhance existing industries.⁶ The Committee acknowledges that securing foreign investment in WA's critical minerals industries, including infrastructure, technologies and skills, will be necessary for the State to transition to net zero by 2050. Chapter 3 examines ways to ensure WA's emissions reduction pathway is open and transparent to continue to attract this investment.
- 1.8 While climate change is recognised as the key issue in the ESG policy space, the Committee is keenly aware of the importance of incorporating the perspectives of Aboriginal people in government decision-making. Further, the Committee sees benefit in engaging the voices of young people within the State, particularly on issues related to climate change. The Committee took this Inquiry as an opportunity to examine what other jurisdictions are doing to include the voices of both groups in their decision-making processes and what the State Government is doing to engage both Aboriginal people and young people in its decision-making. Chapter 5 details the Committee's findings and offers some suggestions on ways to improve and better incorporate the contributions of both groups in government decision-making.

Challenges the Committee faced while conducting this Inquiry

- 1.9 During the Inquiry, the Committee noted the scope and scale of international and national regulatory and policy reform. Just within Australia, there has been significant change in the public policy settings. For example, the introduction of the Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024 (Commonwealth, Cth) and the Sustainable Finance Roadmap. The details and potential implications for WA of both the

3 See for example: Submission 9, Department of Treasury (WA) and Western Australian Treasury Corporation, p. 1.

4 Department of Jobs, Tourism, Science and Innovation, *Western Australia Trade Profile – May 2024*, Government of Western Australia, May 2024, p. 1.

5 *ibid.*

6 Department of Foreign Affairs and Trade (Cth), *Foreign investment statistics*, nd, accessed 6 August 2024, <https://www.dfat.gov.au/trade/trade-and-investment-data-information-and-publications/foreign-investment-statistics/statistics-on-who-invests-in-australia>.

Bill and the Roadmap are discussed in Chapters 4 and 2 respectively. It is worth noting, the Commonwealth Treasury has produced a helpful Key Reform Timeline which we have included in Appendix Six for reference.

- 1.10 Both the Treasury Laws Amendment Bill (Cth) and the Sustainable Finance Roadmap are aligned with international developments, including the recommendations from the Task Force on Climate-related Financial Disclosures and the International Sustainability Standards Board's IFRS S1 and IFRS S2 standards. Chapter 4 looks at these international developments and how they are being adapted for the Australian context.
- 1.11 The Committee recognises the importance of aligning State Government policies and activities with national and international developments to ensure investment into WA continues. These reforms are likely to have widespread investment, compliance and social implications for WA. Many of these reforms are still in development, with implementation timeframes potentially taking many years. Therefore, the Committee was unable to assess the implications and opportunities of these reforms in detail.
- 1.12 Taking the evolving policy and regulation landscape into consideration, the Committee makes some broad recommendations within this report, looking at opportunities for the State Government to continue to improve its ESG outcomes and secure further investment into WA.

Evidence gathering

- 1.13 Considering the broad scope of our Terms of Reference, the Committee received just 18 submissions to this Inquiry. However, the varying nature of interested parties, from State Government entities to advocacy groups and individuals, suggests a deep interest in these topics.
- 1.14 In addition to the submissions, the Committee held a number of public hearings throughout the Inquiry. Despite the number of public hearings held, there remained stakeholders from whom we were unable to receive evidence due to their limited resources or scheduling conflicts.
- 1.15 Finally, to gain an understanding of what is happening in other Australian jurisdictions, the Committee conducted investigative travel to Victoria, New South Wales and Queensland in October 2023. We held 13 briefings and the information we gathered has greatly informed our understanding of the issues and our considerations in this report.

Background

- 1.16 This section provides some background information on key developments that underpin many current initiatives discussed throughout this report. In particular, the United Nations' Sustainable Development Goals, the Paris Agreement and the developments in climate science that shaped international commitments to net zero emissions by 2050 all provide context to the sustainable finance and financial disclosure regimes either proposed or implemented around the world.

United Nations Sustainable Development Goals

- 1.17 The 17 United Nations Sustainable Development Goals (SDGs) (see Figure 1.1) and the 169 associated targets were adopted at the United Nations (UN) Sustainable Development Summit in September 2015, and came into force in January 2016, as an integral part of *Transforming our world: the 2030 Agenda for Sustainable Development*⁷ (the 2030 Agenda). The 2030 Agenda articulated the crucial link between climate prospects and sustainable development. Article 14 stated that ‘climate change is one of the greatest challenges of our time and its adverse impacts undermine the ability of all countries to achieve sustainable development’.⁸
- 1.18 The SDGs are integrated, they recognise that action in one area will affect outcomes in others, and that development must balance economic, social and environmental sustainability.⁹

Figure 1.1: United Nations’ Sustainable Development Goals¹⁰



- 1.19 The 17 SDGs are not legally binding, but UN member states are expected to implement policies, plans and programmes to continue, follow-up and review progress.¹¹ So while the aspirations of the SDGs and government priorities may align, the SDGs represent a

7 United Nations Department of Economic and Social Affairs, *Transforming our world: the 2030 Agenda for Sustainable Development*, 21 October 2015, accessed 21 May 2024, <https://sdgs.un.org/2030agenda>.

8 *ibid.*

9 *ibid.*

10 United Nations Sustainable Development Goals, *Communication materials*, nd, accessed 6 August 2024, [Communications materials - United Nations Sustainable Development](#).

11 United Nations, *The Sustainable Development Agenda*, nd, accessed 23 May 2024, <https://www.un.org/sustainabledevelopment/development-agenda-retired/>.

commitment for all aspects of UN member states, not just all levels of government, but also businesses and civil society.¹² As a result, the SDGs have been increasingly viewed as the internationally accepted language for measuring and reporting business, industry, and national-level sustainability credentials.¹³

1.20 The *Sustainable Development Goals Report 2023: Special Edition* (the 2023 SDG Report) was published in July 2023. It provides an assessment of the SDGs based on the latest data and estimates.¹⁴ While highlighting the existing gaps and urging the world to redouble its efforts, the report emphasises the immense potential for success through strong political will and the utilisation of available technologies, resources and knowledge.¹⁵

1.21 According to the 2023 SDG Report, the impacts of the climate crisis, the war in Ukraine, a weak global economy, and the lingering effects of the COVID-19 pandemic have revealed weaknesses and hindered progress towards the SDGs. The Report further warns that while lack of progress is universal, it is the world's poorest and most vulnerable who are experiencing the worst effects of these unprecedented global challenges.¹⁶ This has implications for at-risk populations in WA.

Finding 1

The United Nations Sustainable Development Goals have increasingly been viewed as the internationally accepted reference for measuring and reporting business, industry, and national-level sustainability credentials.

The Paris Agreement

1.22 The Paris Agreement was a product of the 21st United Nations Framework Convention on Climate Change (UNFCCC) Conference of Parties, also known as COP21¹⁷, held in Paris, France in December 2015.¹⁸ The Paris Agreement, which came into force in November 2016, is a legally binding international treaty that aims to 'strengthen global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty'.¹⁹

12 Department of Foreign Affairs and Trade (Cth), *Report on the Implementation of the Sustainable Development Goals*, 2018, pp. 3, 6-7.

13 Submission 4, AgriFutures Australia, p. 2.

14 United Nations, *The Sustainable Development Goals Report 2023: Special Edition*, New York, USA, 2023, np.

15 *ibid.*

16 *ibid.*

17 The UNFCCC is the intergovernmental convention on the global response to climate change, adopted in 1992. Each year the parties to the UNFCCC meet as the Conference of Parties (COP).

18 United Nations Framework Convention on Climate Change, *The Paris Agreement*, nd, accessed 24 May 2024, <https://unfccc.int/process-and-meetings/the-paris-agreement>.

19 United Nations Framework Convention on Climate Change, *Paris Agreement*, United Nations, Paris, 12 December 2015, p. 3.

- 1.23 The Paris Agreement sets out several overarching goals, including:
- ‘Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels’ to reduce risks and impacts of climate change.²⁰
 - Increasing the ability to adapt to adverse impacts of climate change, and to foster emissions reduction efforts.²¹
 - Ensuring financial backing for emissions reduction and climate-resilient development, including assistance and capacity building by developed countries to developing countries.²²
- 1.24 Prior to the Paris Agreement, the Kyoto Protocol, adopted at the UNFCCC COP3 in 1997, was the first international treaty to set legally binding greenhouse gas emissions reductions targets. After it entered into force in 2005, it committed 37 developed countries to reduce emissions according to agreed individual targets.²³
- 1.25 The Paris Agreement essentially replaces the Kyoto Protocol but goes further in that all signatories must set emissions reduction targets, rather than just developed countries. Further, instead of the UNFCCC prescribing emissions reduction targets, under the Paris Agreement countries must establish their own targets through Nationally Determined Contributions (NDCs).²⁴ NDCs are a national climate action plan that must be provided to the UNFCCC and updated every five years. Each NDC must represent a progression beyond the targets of the previous one.²⁵

Finding 2

The Paris Agreement is a legally binding international treaty that aims to strengthen global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty.

Finding 3

Under the Paris Agreement, countries must establish their own emissions reduction targets through Nationally Determined Contributions which must be updated every five years.

20 United Nations Framework Convention on Climate Change, *Paris Agreement*, United Nations, Paris, 12 December 2015, p. 3.

21 United Nations Framework Convention on Climate Change, *Paris Agreement*, United Nations, Paris, 12 December 2015, p. 3.

22 United Nations Framework Convention on Climate Change, *The Paris Agreement*, nd, accessed 24 May 2024, <https://www.un.org/en/climatechange/paris-agreement>.

23 United Nations Framework Convention on Climate Change, *Marking the Kyoto Protocol's 25th anniversary*, nd, accessed 27 May 2024, <https://www.un.org/en/climatechange/marking-kyoto-protocol%E2%80%99s-25th-anniversary>.

24 United Nations Framework Convention on Climate Change, *All About the NDCs*, nd, accessed 24 May 2024, <https://www.un.org/en/climatechange/all-about-ndcs>.

25 *ibid.*

Developments in climate science

- 1.26 The Intergovernmental Panel on Climate Change's (IPCC)²⁶ Fifth Assessment Report (AR5) suggested that there would need to be 'near zero emissions of CO₂ and other long-lived greenhouse gases by the end of the century' to limit warming.²⁷ It was the AR5 that informed the goals of the Paris Agreement – to limit global average warming to 1.5°C to 2°C above pre-industrial levels.²⁸
- 1.27 However, at the time of the Paris Agreement there was limited knowledge of the implications of a 1.5°C temperature rise in terms of the scale and feasibility of mitigation and adaptation efforts. Accordingly, the IPCC was invited to examine the issue further.²⁹ The findings were published in 2018. The *Report on Global Warming of 1.5°C* (SR1.5) was the first in the subsequent series of Sixth Assessment Report (AR6) publications. It concluded that to prevent more severe climate impacts, warming ideally should be limited to 1.5°C rather than 2°C, and that while this was possible, it would require systemic change.³⁰
- 1.28 The SR1.5 also stated that 'limiting warming to 1.5°C implies reaching net zero CO₂ emissions globally around 2050'.³¹ In this way, the SR1.5 consolidated the concept of 'balanced' emissions and removals stated in the Paris Agreement. In other words, it formally adopted the terminology of 'net zero' emissions and applied it to the understanding of the 1.5°C global average warming limit.
- 1.29 The IPCC's AR6 Synthesis Report, a summary of all AR6 reports, concluded that based on NDCs submitted before October 2021, proposed climate action was likely insufficient to contain warming to 1.5°C in the 21st century.³² AR6 modelling suggests that emissions must be reduced by 43% from 2019 levels by 2030 to limit warming to 1.5°C and to enable net zero emissions by 2050.³³ In this way, the need for a 1.5°C global average warming limit has been linked to the concept of 'net zero emissions', so these two concepts are now regarded essentially as one goal.

26 The Intergovernmental Panel on Climate Change (IPCC), established by the World Meteorological Organisation and the United Nations, is the primary intergovernmental body that assesses the science related to climate change, see: [About — IPCC](#)

27 Intergovernmental Panel on Climate Change, *Climate Change 2014: Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change*, IPCC, Geneva, 2014, p. 20.

28 United Nations Framework Convention on Climate Change, *Paris Agreement*, United Nations, Paris, 12 December 2015, p. 4.

29 Intergovernmental Panel on Climate Change, *Global Warming of 1.5°C: Summary for Policymakers*, Cambridge University Press, 2018, np.

30 *ibid.*

31 Intergovernmental Panel on Climate Change, *Global Warming of 1.5°C: Summary for Policymakers, Technical Summary, Frequently Asked Questions and Glossary*, Cambridge University Press, 2018, p. v-vi, 33, 40.

32 Intergovernmental Panel on Climate Change, *Summary for Policymakers in Climate Change 2023: Synthesis Report. Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change*, IPCC, Geneva, 2023, p. 10.

33 *ibid.*, p. 21.

International climate policy developments have echoed scientific links between the 1.5°C global average warming limit and net zero emissions

- 1.30 UNFCCC actions since 2015 have followed these developments in scientific understanding of climate change and have highlighted the need for increased urgency of adaptation and mitigation efforts to lessen the impacts of climate change.³⁴ For example, in 2021 at COP26 the Glasgow Climate Pact (the Pact) was agreed to. It stressed the urgent need improve adaptation and mitigation efforts, labelling this decade as ‘critical’ to reach net zero emissions by mid-century.³⁵ To enable this, the Pact called on developed countries to double financial support for climate change adaptation in developing countries and for each country to submit stronger NDCs by 2025.³⁶
- 1.31 COP28 further built on this. Held in Dubai in 2023, it marked the conclusion of the ‘global stocktake’, a process which aimed to show progress to date on climate action under the Paris Agreement, identify gaps and inform future action.³⁷ The Global Stocktake affirmed AR6 findings that global action is currently not enough to ensure net zero emissions by 2050 and limit global warming to 1.5°C.³⁸ Consequently, it laid out guidance and follow-up mechanisms to encourage and assist countries to update their NDCs.³⁹ Suggested actions include tripling renewable energy capacity, phasing down fossil fuel use and doubling energy efficiency measures.⁴⁰

Finding 4

According to the Intergovernmental Panel on Climate Change’s *Report on Global Warming of 1.5°C*, limiting warming to 1.5°C implies reaching net zero emission by 2050.

Finding 5

Modelling included in the Sixth Assessment Report of the Intergovernmental Panel on Climate Change suggests that emissions must be reduced by 43% from 2019 levels by 2030 to limit warming to 1.5°C.

Australia’s current commitments

- 1.32 As indicated early in the Chapter, the SDGs are not legally binding. However, Australia participated in their development and remains committed to their implementation. Australia’s first Voluntary National Review of SDG implementation stated that many targets in the SDGs fall within the remits of local, state and territory governments.⁴¹ This is also

34 United Nations Framework Convention on Climate Change, *The Paris Agreement*, nd, accessed 24 May 2024, <https://www.un.org/en/climatechange/paris-agreement>.

35 United Nations Framework Convention on Climate Change, *COP26: Together for our planet*, 2022, accessed 28 May 2024, <https://www.un.org/en/climatechange/cop26>.

36 *ibid.*

37 United Nations Framework Convention on Climate Change, *COP28: What Was Achieved and What Happens Next?*, 2023, accessed 28 May 2024, <https://unfccc.int/cop28/5-key-takeaways#looking-ahead>.

38 *ibid.*

39 *ibid.*

40 *ibid.*

41 Department of Foreign Affairs and Trade (Cth), *Report on the Implementation of the Sustainable Development Goals*, 2018, p. 12.

recognised by the WA Government, where annual expenditures contribute towards advancing the progress and support of the SDGs.⁴²

- 1.33 As a UN Member State that supported the adoption of the 2030 Agenda, Australia must take measures to implement, monitor and follow-up with policies and plans that progress the SDGs.⁴³ Aspirations of the SDGs and government priorities may align, but because of the wide reach of the goals, the SDGs still represent a commitment for Australian businesses, civil society, and all levels of government.⁴⁴ To coordinate SDG-aligned initiatives, the Australian Government, primarily through the Department of Foreign Affairs and Trade and the Department of the Prime Minister and Cabinet, collaborates with stakeholders across the country. This includes liaison with local, state and territory governments to clarify progress towards SDG targets.⁴⁵
- 1.34 Upon ratifying the Paris Agreement in 2016, Australia committed to providing NDCs. An update to a preliminary NDC was lodged in 2022, which increased the emissions reduction target to 43% below 2005 levels by 2030.⁴⁶ The next NDC is due to be submitted in 2025.⁴⁷
- 1.35 In relation to SDG and Paris Agreement-aligned progress and reporting, WA has continued to liaise with the Commonwealth to determine its contribution to national efforts. In particular, the Committee heard that State entities have worked closely with the Commonwealth regarding emissions reduction modelling and targets to ensure WA can fit in with federal policy and projects.⁴⁸ It is important that WA continues to engage with and inform discussions with the Commonwealth and respond to any requirements.

Finding 6

There is a standing commitment from the Western Australian Government to progress and support the United Nations Sustainable Development Goals.

Issues of interest to the Committee

- 1.36 There were two areas of interest that we heard throughout our evidence gathering that did not easily fit within our established reporting structure: state of the environment reporting and nature-related disclosures. Below is a brief summary of each.

42 Kaylene Gulich, Western Australian Treasury Corporation, CLOSED *Transcript of Evidence*, 10 May 2023, p. 8.

43 Department of Foreign Affairs and Trade (Cth), *Report on the Implementation of the Sustainable Development Goals*, 2018, pp. 3, 6-7.

44 *ibid.*

45 *ibid.*, p. 12.

46 Department of Industry, Science, Energy and Resources (Cth), *Australia's Nationally Determined Contribution Communication 2022*, Canberra, 2022, p. 3.

47 Department of Climate Change, Energy, the Environment and Water (Cth), *International Climate Action*, nd, accessed 24 May 2024, <https://www.dcceew.gov.au/climate-change/international-climate-action>.

48 Emily Briggs, Deputy Director General, Climate and Sustainability, Department of Treasury, *Transcript of Evidence*, 20 March 2024, p. 4.

State of the environment reporting

- 1.37 State of the environment reports are designed to help shape strategy, policy and action as well as influence behaviours of individuals, communities and businesses.⁴⁹
- 1.38 The Committee heard that other Australian jurisdictions prepare and publish state of the environment reports.⁵⁰ However, in WA the most recent State of the Environment (SoE) report was published by the Environmental Protection Authority in 2007.⁵¹ Previous WA SoE reports were published in 1992 and 1998.⁵²
- 1.39 The Commonwealth Government publishes a SoE report that includes information for all of Australia, including WA. The Commonwealth SoE report is published in accordance with the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) which legislates a review of the state of the Australian environment every five years.⁵³
- 1.40 The most recent report, *Australia State of the Environment 2021* ‘assess[es] the changing condition of [Australia’s] natural environment across 12 themes:
- Air quality
 - Antarctica
 - Biodiversity
 - Climate
 - Coasts
 - Extreme events
 - Heritage
 - Indigenous
 - Inland water
 - Land
 - Marine
 - Urban’.⁵⁴
- 1.41 During our investigative travel, we met with representatives from the Victorian Office of the Commissioner for Environmental Sustainability. The Commissioner is an independent statutory role appointed under the *Commissioner for Environmental Sustainability Act 2003* (Vic).
- 1.42 The main purpose of the Commissioner and their office is to provide ‘independent scientific reporting to inform policymakers, scientists, and the wider Victorian community on the state’s natural environment and support ecological sustainable development’.⁵⁵ Under the Act, the Commissioner is required to provide a number of statutory reports, including a five-yearly state of the environment report.⁵⁶
- 1.43 Victoria is one of only two jurisdictions with independent SoE reporting. Once submitted, the relevant Minister has 10 parliamentary sitting days to review the report but cannot make

49 Australian State of the Environment Report 2021, *About this Report*, nd, accessed 2 August 2024, <https://soe.dcceew.gov.au/about-soe/about-report>.

50 Closed evidence.

51 Environmental Protection Authority, *State of the environment reporting*, 2024, accessed 2 August 2024, <https://www.epa.wa.gov.au/state-environment-reporting>.

52 *ibid.*

53 *Environment Protection and Biodiversity Conservation Act 1999*, (Cth), s. 516B.

54 Australia State of the Environment 2021, *About this Report*, 2021, accessed 2 August 2024, <https://soe.dcceew.gov.au/about-soe/about-report>.

55 Commissioner for Environmental Sustainability Victoria, *About – the Commissioner’s role*, 2024, accessed 2 August 2024, <https://www.ces.vic.gov.au/about>.

56 *ibid.*

any changes before tabling in the Victorian Parliament. The Victorian Government has 12 months from the date of tabling to respond to the recommendations made within the report.⁵⁷

- 1.44 At a hearing with the Chief Scientist of Western Australia, the Committee sought his views on WA’s capacity to reintroduce state of the environment reporting. His response indicated that the data is already compiled by the WA Biodiversity Science Institute (WABSI). He advised that WABSI would be well-placed to cover state of the environment reporting because they sit outside of government, and they sit outside academia.⁵⁸

Taskforce on Nature-related Financial Disclosures

- 1.45 Over half of the world’s total GDP is moderately or highly dependent on nature. Therefore, nature loss matters for business through impacts on operations, supply chains, and markets.⁵⁹
- 1.46 The international Taskforce on Nature-related Financial Disclosures⁶⁰ (TNFD) has developed a ‘set of disclosure recommendations and guidance for organisations to report and act on evolving nature-related dependencies, impacts, risks and opportunities’.⁶¹ Published in September 2023, the TNFD disclosure framework consists of conceptual foundations for nature-related disclosures, a set of general requirements, and a set of recommended disclosures structured around the four pillars of governance, strategy, risk and impact management, and metrics and targets.⁶²
- 1.47 This approach has been designed to meet corporate reporting requirements of organisations across jurisdictions and to align with the global policy goals of the Kunming-Montreal Global Biodiversity Framework.⁶³ Further, it has been designed to be consistent with the approach of the Task Force on Climate-Related Financial Disclosures (TCFD) and the International Sustainability Standards Board (ISSB) IFRS Standards – the global baseline for corporate sustainability reporting.⁶⁴ Both the TCFD and the ISSB, and resulting recommendations and standards, will be discussed in detail in Chapter 4.
- 1.48 The TNFD’s recommendations and related guidance are designed to enable business and finance to integrate nature into decision-making, and ultimately support a shift in global

57 Closed briefing.

58 Professor Peter Klinken, Chief Scientist of Western Australia, *Transcript of Evidence*, 14 February 2024, p. 5.

59 Australian Institute of Company Directors, *TNFD releases framework for nature-related financial reporting*, 25 September 2024, accessed 2 August 2024, <https://www.aicd.com.au/risk-management/framework/climate/tnfd-releases-framework-for-nature-related-financial-reporting.html>.

60 The TNFD is an international initiative that builds on a model developed by the TCFD. See: <https://tnfd.global/>.

61 Taskforce on Nature-related Financial Disclosures, *Taskforce on Nature-related Financial Disclosures, 2021-2024*, accessed 2 August 2024, <https://tnfd.global/>.

62 *ibid.*

63 The Kunming-Montreal Global Biodiversity Framework is a framework adopted at the 2022 UN Biodiversity Conference that sets a pathway for the world to live in harmony with nature by 2050.

financial flows away from nature-negative outcomes and toward nature-positive outcomes.⁶⁵

- 1.49 While the Committee recognises the importance of progressing the TNFD recommendations, the issue was too significant to incorporate within this already complex Inquiry.

Finding 7

State of the environment reporting and nature related financial disclosures are mechanisms that could improve or strengthen ESG reporting.

⁶⁵ Taskforce on Nature-related Financial Disclosures, *Taskforce on Nature-related Financial Disclosures, 2021-2024*, accessed 2 August 2024, <https://tnfd.global/>.

Chapter 2

Greening the Australian finance market

It's clear that Environmental, Social and Governance (ESG) issues are driving the biggest changes to financial reporting and disclosure standards in a generation.

Joe Longo, ASIC Chair, 13 June 2023.

- 2.1 The Committee is aware that investor interest in environmental, social and governance (ESG) performance has been around for well over a decade. However, in recent years that interest seems to have increased considerably. According to Australian Securities and Investments Commission (ASIC) Chair, Joe Longo, the '[c]onventional paradigm in finance is already undergoing a seismic shift'.⁶⁶
- 2.2 This Chapter looks at the ever-increasing pressure to demonstrate ESG credentials and how Western Australia is responding to this pressure with the introduction of the Sustainability Bond Framework and the issuance of green bonds in June 2023. Further, this Chapter looks at the sustainable finance movement at a national level, including the Sustainable Finance Roadmap and the Australian Sustainable Finance Taxonomy.

Growing investor interest in ESG performance

- 2.3 The Committee heard from many witnesses of the increasing pressure to demonstrate ESG credentials. For example, the CEO of the Western Australian Treasury Corporation (WATC) described the differing experiences she had while travelling to Japan in 2019 and again in 2023 to promote the State's financing requirements. In 2019, she did not receive a single question about ESG, but in October 2023, at every meeting she attended she was asked 'what's your ESG?'.⁶⁷
- 2.4 The Chief Scientist of Western Australia supported this when he advised –

Probably five years ago, maybe a little bit more, I was noticing within the business community and industry, the corporate world, how ESG was just becoming such a hot topic. Government had not really been engaged or involved at that stage, but what was happening at the corporate level was that their finances were now at stake because their ESG credentials were being evaluated [...] And that is something that I had not seen previously. My feeling is that it has been driven pretty strongly out of Europe. [...] environmental issues, social issues and governance issues have become critical [...] I think that has been a fundamental shift that is now globally accepted. Governments are now having to pay serious attention to that because if you want people to invest in your jurisdiction, you have

66 Speech by ASIC Chair Joe Longo at the Committee for Economic Development of Australia State of the Nation conference, 13 June 2023.

67 Kaylene Gulich, Chief Executive Officer, Western Australian Treasury Corporation, Closed *Transcript of Evidence*, 10 May 2023, p. 9.

got to make sure that your ESG credentials are appropriate for those investors that are interested in that area, and you just see more and more of that.⁶⁸

Finding 8

The last decade has seen growing investor interest in ESG outcomes.

- 2.5 The Committee notes that the term “ESG” is contested. There is some reporting in the media that suggests the term “ESG” has become weaponised across the political spectrum, particularly in the United States.⁶⁹ In fact, the person often attributed to bringing ESG to the forefront of investment decisions no longer uses the term; however, he still encourages investment in decarbonisation and other social issues.⁷⁰
- 2.6 Regardless of the possible politicisation of “ESG” in certain markets, the Committee is of the view that ESG outcomes will remain relevant to investor decisions and should remain entrenched in government regulation and policy.

Finding 9

ESG outcomes remain relevant to investor decisions and the State needs to keep pace with expectations in all areas of ESG if it wants to maintain its comparative advantage in an increasingly competitive global investment context.

The need to demonstrate ESG credentials

- 2.7 The Chamber of Minerals and Energy WA (CME) advised the Committee that the State needs to keep pace with expectations in all areas of ESG if it wants to maintain its comparative advantage in an increasingly competitive global investment context.⁷¹
- 2.8 The Department of Treasury (WA Treasury) not only highlighted the need to keep pace with investor expectations, but also the need to demonstrate the State’s ESG performance –
- As sustainable finance markets evolve, so too are investor expectations on the availability of relevant data and transparent information from governments to demonstrate how actions and policies are changing to prioritise measurable improvement in ESG outcomes, and to provide relevant ESG disclosures.⁷²
- 2.9 For companies and governments to raise capital into the future, they must be able to demonstrate ‘efforts to progress ESG outcomes in line with global community and investor expectations, such as committing to the Paris Agreement objective of net zero emissions by 2050 and the objectives of the United Nations SDGs’.⁷³

68 Professor Peter Klinken, Chief Scientist of Western Australia, *Transcript of Evidence*, 14 February 2024, p. 2.

69 See for example: James Kirby, 'As investors rush for the exit, ESG confronts a crisis', *Weekend Australian*, 15 July 2023, p. 32.

70 Helen Trinca, 'Fink sticks to guns, but don't mention the ESG culture war', *Weekend Australian*, 1 July 2023, p. 40.

71 Submission 16, The Chamber of Minerals and Energy of WA, p. 1.

72 Submission 9, Department of Treasury (WA) and Western Australian Treasury Corporation, p. 5.

73 *ibid.*, p. 9.

- 2.10 According to the WA Treasury, there has also been ‘an increased focus on sovereign and sub-sovereign ESG profiling by investors, and a significant emerging trend of ‘net zero’ investment portfolios’.⁷⁴ Consequently, rating agencies are responding by providing standalone ESG ratings and WA was issued a credit opinion on 17 July 2023 –

Moody’s Investors Service assigned Western Australia a neutral to low Credit Impact Score (i.e. the influence of ESG factors on the State’s rating is non-material). This reflects its assessment that the State has a ‘moderate exposure to environmental risk, mitigated by very strong governance and a robust government balance sheet that mitigates the State’s susceptibility to these risks’. It assesses Western Australia’s social attributes as neutral and notes that the strong institutional framework for State Governments in Australia, high level of support from the Commonwealth Government and higher average income levels (relative to national averages), mitigate exposure to ESG risks.⁷⁵

- 2.11 Investor expectations to demonstrate commitment to net zero emissions by 2050 highlights the fact that ESG performance and reporting continues to have a significant focus on climate.

Finding 10

ESG performance and reporting is largely focused on climate.

Western Australian Government entities do not currently have mandated ESG or sustainability reporting requirements

- 2.12 While WA does not currently have a mandated ESG reporting mechanism in place for State Government entities, WA does have elements of non-financial reporting. In her evidence to the Committee, the Auditor General acknowledged ‘the momentum behind ESG reporting and assurance’ but her view is that ‘ESG reporting in the Western Australian public sector is an evolution, not a revolution’.⁷⁶
- 2.13 According to the Auditor General –

[I]t is worth noting that in WA we already cover aspects of environmental, social and governance reporting and assurance. This is provided through our agency annual reporting and our Office’s financial, controls and Key Performance Indicators (KPI) audits. Annual audited KPI results for State sector entities cover many aspects of nonfinancial performance, especially social and governance aspects. The growing interest in non-financial information in the public sector has also corresponded with the advent of performance auditing in the public sector, and our Office’s efficiency, effectiveness and compliance audits.⁷⁷

⁷⁴ Submission 9, Department of Treasury (WA) and Western Australian Treasury Corporation, p. 9.

⁷⁵ *ibid.*

⁷⁶ Submission 6, Office of the Auditor General of Western Australia, p. 1.

⁷⁷ *ibid.*

- 2.14 The Committee heard evidence suggesting that ESG reporting requirements should be aligned with the International Sustainability Standards (see more in Chapter 4).⁷⁸

Finding 11

While Western Australia does not currently have a mandated ESG reporting mechanism in place for State Government entities, it does have elements of non-financial reporting.

Demonstrating the State’s ESG credentials to the international investment market

- 2.15 The State Government is committed to achieving the objective of net zero emissions by 2050 and recognises the importance of WA’s contribution to Australia’s pursuit of objectives under the United Nations’ Sustainable Development Goals.⁷⁹
- 2.16 To keep pace with ESG-based expectations and to attract investment into Western Australia, the State Government has released a series of publications to highlight the State’s ESG credentials. Coordinated by the WATC, in partnership with WA Treasury, the Department of the Premier and Cabinet (DPC) and the Department of Water and Environmental Regulation (DWER), the first publication in this series was released in November 2021.⁸⁰
- 2.17 *Supporting Continuous Improvement in ESG Outcomes for Western Australia* (the ESG information pack) articulates the State’s ESG commitment. The aim of the ESG information pack is to ensure investors understand the State’s commitment to ESG outcomes to support ‘strong investor engagement and participation in our funding programs’.⁸¹ The 2021 publication included expenditure from the 2021-22 State Budget ‘indicatively aligned to the 17 UN Sustainable Development Goals’ (SDGs).⁸²
- 2.18 The SDGs are not a formal mechanism the State, or state agencies, use to align expenditure or KPI reporting. However, as they are internationally recognised, the decision was made to illustrate how the state budget and ESG objectives contribute to the progression of the SDGs.⁸³ As the CEO of WATC stated, ‘the State does not organise this information that way’⁸⁴ but ‘as a whole, what we do and how we spend the allocation of the budget, both capital and recurrent, contributes to one of those 17 goals’.⁸⁵
- 2.19 An update to the ESG information pack was released in May 2022. This included progress on the ESG initiatives since the 2021 publication and an update on the relevant expenditure included in the 2022-23 State Budget.⁸⁶ A further and final update was released in June

78 Closed evidence.

79 Western Australian Treasury Corporation, *Supporting Continuous Improvement in ESG Outcomes for Western Australia*, November 2021, pp. 5, 11.

80 Western Australian Treasury Corporation, *WA’s ESG Commitment*, 2024, accessed 16 July 2024, <https://www.watc.wa.gov.au/western-australia/was-esg-commitment/>.

81 Submission 9, Department of Treasury (WA) and Western Australian Treasury Corporation, p. 9.

82 *ibid.*, p. 1.

83 Kaylene Gulich, Chief Executive Officer, Western Australian Treasury Corporation, *Closed Transcript of Evidence*, 10 May 2023, p. 2, 9.

84 *ibid.*, p. 8.

85 *ibid.*, p. 2.

86 Submission 9, Department of Treasury (WA) and Western Australian Treasury Corporation, p. 1.

2023. This update highlighted the key ESG initiatives progressed by the State Government, including through the 2023-24 State Budget.⁸⁷

- 2.20 While the June 2023 publication was the last in this series, the Government indicated its commitment to providing meaningful disclosures on its ESG performance and its intention to develop a new reporting framework more closely aligned to emerging international standards.⁸⁸
- 2.21 The Committee was advised that the ESG information pack series was the State's first 'foray toward issuing a green or sustainable bond by providing a holistic information piece to the investment community'.⁸⁹

Finding 12

To keep pace with ESG-based expectations and to attract investment into Western Australia, the State Government released a series of publications (*Supporting Continuous Improvement in ESG Outcomes for Western Australia*) to highlight the State's ESG credentials.

Green bonds

- 2.22 The World Bank states that green bonds are bonds 'that finance green projects and provide investors with regular or fixed income payments' with proceeds generally used to fund clean transportation, sustainable land use and waste management and renewable energy projects amongst others.⁹⁰
- 2.23 During the course of the Inquiry, we noted the market for climate-related or sustainable finance, especially green, social, sustainable or sustainability-linked bonds from debt capital markets, has grown strongly from a low base several years ago (see Fig 2.1 below).⁹¹ According to the Climate Bonds Initiative⁹² –

The latest Quarterly Market Report reveals the first quarter of 2024 was the most prolific on record for sustainable finance volumes. Globally USD272.7 billion of aligned green, social, sustainability, sustainability-linked and transition (GSS+) bond volume was added in the Q1 of 2024, 15% more than the USD237.2 billion recorded in Q1 2023, and 41% more than the USD193 billion from Q4 2023.

87 Submission 9, Department of Treasury (WA) and Western Australian Treasury Corporation, p. 1.

88 *ibid.*

89 Kaylene Gulich, Chief Executive Officer, Western Australian Treasury Corporation, Closed *Transcript of Evidence*, 10 May 2023, p. 2.

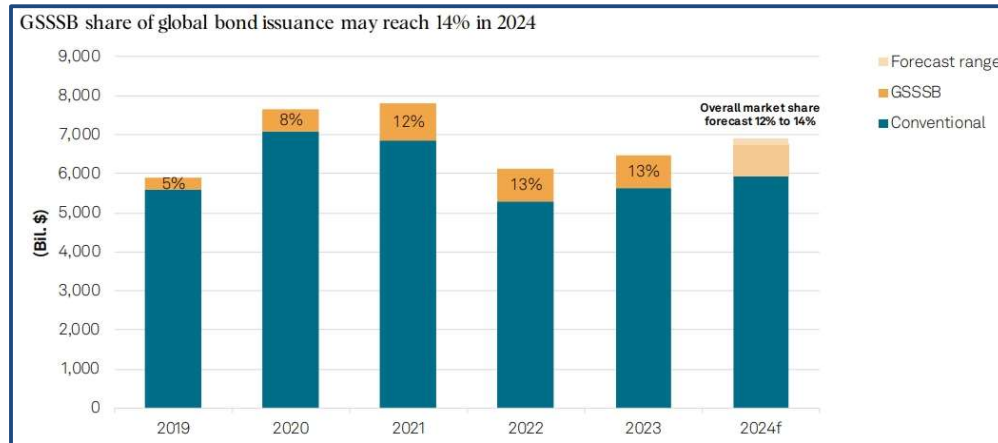
90 World Bank Group, *What You Need to Know About IFC's Green Bonds*, 8 December 2021, accessed 23 July 2024, <https://www.worldbank.org/en/news/feature/2021/12/08/what-you-need-to-know-about-ifc-s-green-bonds>.

91 Climate Bonds Initiative, 2024, accessed 23 July 2024, <https://www.climatebonds.net/>.

92 Climate Bonds Initiative is an international non-government organisation who promote investment in projects and assets to transform the economy to a low carbon and climate resilient one. See: <https://www.climatebonds.net/about>.

- 2.24 Of GSS+⁹³ bonds, green bonds made the largest contribution and hit a new quarterly record, with USD195.9 billion amassed in the opening months of the year. Lifetime green bond volume crossed the USD3 trillion mark since market inception in 2006, contributing to cumulative volume of USD4.7 trillion GSS+ bonds.⁹⁴
- 2.25 Similar growth has occurred in Australia, driven by state governments, and most recently, the Commonwealth Treasury, ramping up issuance with its Green Bond program.⁹⁵

Figure 2.1: GSSSB share of global bond issuance may reach 14% in 2024⁹⁶



- 2.26 The Committee was made aware of the increased risk of “greenwashing” in the green bond market. According to the Reserve Bank of Australia –

Markets for assets with environmental, social and governance (ESG) benefits have developed over the past decade, and grown rapidly in recent years, both internationally and in Australia. Examining these markets is complicated by the fact that frameworks for identifying assets with ESG benefits are still developing, and there is not one single global definition. Labels like ‘green’, ‘sustainable’ or ‘ESG’ can be applied by issuers or investment managers, or assigned by providers of ESG ratings, and can sometimes be applied inconsistently. Uncertainty around the consistency of these labels can hinder the ability of many investors to adequately price climate-related risks in these markets. Ultimately, greater transparency in these financial markets can improve the flow of financial capital between investors

93 GSS+ includes green, social, sustainability and sustainability-linked bonds (also referred to as GSSSB) - <https://www.climatebonds.net/resources/reports/quarterly-market-update-q1-2024>.

94 Climate Bonds Initiative, *A Record Start to the Year for Sustainable Finance*, 19 June 2024, accessed 23 July 2024, <https://www.climatebonds.net/resources/press-releases/2024/06/record-start-year-sustainable-finance>.

95 See for example: NSW Treasury Corporation’s <https://tcorp.nsw.gov.au/tcorp/institutional-investors/sustainability-bonds/>; Treasury Corporation of Victoria’s https://www.tcv.vic.gov.au/images/TCV_Sustainability_Bond/TCV_Sustainability_Bond_Framework.pdf and the Commonwealth Treasury’s <https://treasury.gov.au/policy-topics/banking-and-finance/green-bond-program>.

96 S&P Global, *Sustainable bond Issuance to approach \$1 trillion in 2024*, 13 February 2024, p. 4.

and ‘green’ issuers and assist the transition to net zero or broader sustainability objectives.⁹⁷

- 2.27 The Chair of ASIC held a similar concern; ‘while the shift to sustainable finance may constitute a once-in-a-generation transformation, the fundamental underlying principles are as old as regulation itself: the principles of accuracy and transparency’.⁹⁸ In response to occurrences of greenwashing, he stated that ASIC’s interventions are ‘founded on enforcing well-established legal obligations that prohibit misleading and deceptive conduct’.⁹⁹
- 2.28 The Auditor General raised similar concerns, telling us that ‘green bonds are a way to ensure borrowing markets do not diminish if investors seek a “greener” portfolio’ but adding that there is a risk of greenwashing.¹⁰⁰ She anticipated that ‘government bond investors will actually want a higher level of assurance in the future as some underwriters and investors are already seeking for corporate green bonds’ and advised that her Office could provide this assurance if requested.¹⁰¹

Finding 13

There has been significant growth in global sustainable bond issuance, particularly over the last five years.

Finding 14

Greenwashing is the practice of misrepresenting the extent to which a product or investment strategy is environmentally friendly, sustainable or ethical.

Western Australia’s Sustainability Bond Framework

- 2.29 In May 2023, the WATC published the State Government’s Sustainability Bond Framework (the Framework).¹⁰² The Framework provides a structure for issuing green, social and sustainability bonds. It will assist with the Government financing initiatives that meet internationally recognised standards and support the Government’s commitment to the Paris Agreement.¹⁰³
- 2.30 The Framework was developed in accordance with the International Capital Market Association’s Green Bond Principles, Social Bond Principles and Sustainability Bond

97 Reserve Bank of Australia, *Green and Sustainable Finance in Australia*, September 2023, accessed 22 July 2024, <https://tcorp.nsw.gov.au/tcorp/institutional-investors/sustainability-bonds/>.

98 Australian Securities and Investments Commission, *Greenwashing: A view from the regulator – Keynote speech by ASIC Chair Joe Longo at the RIAA Conference Australia*, 2 May 2024, accessed 23 July 2024, <https://asic.gov.au/about-asic/news-centre/speeches/greenwashing-a-view-from-the-regulator/>.

99 *ibid.*

100 Submission 6, Office of the Auditor General of Western Australia, p. 3.

101 *ibid.*

102 Western Australian Treasury Corporation, *Sustainability Bond Framework Annual Report 2023*, December 2023, p. 4.

103 Michael Court, Deputy Under Treasurer, Department of Treasury, *Closed Transcript of Evidence*, 22 May 2023, p. 2.

Guidelines (together these are referred to as ICMA Principles).¹⁰⁴ The Committee notes that 98% of global sustainability bonds are currently underpinned by ICMA Principles.¹⁰⁵

- 2.31 Sustainalytics, a large global assurance provider, analysed the Framework and provided a Second-Party Opinion that confirms alignment to the ICMA Principles.¹⁰⁶
- 2.32 In line with the ICMA principles, the Framework has been structured around four core pillars:
- Use of proceeds
 - Process for project evaluation
 - Selection and management of proceeds
 - Reporting.¹⁰⁷
- 2.33 The WATC intends to allocate an amount equivalent to the net proceeds raised from green, social and sustainability bonds to finance expenditures for eligible projects delivered by government agencies.¹⁰⁸ The Framework defines eligibility criteria in eight green areas:
- Sustainable Water and Wastewater Management
 - Renewable Energy and Energy Efficiency
 - Clean Transportation
 - Circular Economy, Pollution Prevention and Control
 - Climate Change Adaptation
 - Environmentally Sustainable Management of Living Natural Resources and Land Use
 - Terrestrial Aquatic Biodiversity Conservation
 - Green Buildings¹⁰⁹
- 2.34 It also lists five social areas:
- Access to Essential Services
 - Affordable Basic Infrastructure
 - Affordable Housing
 - Employment Generation
 - Socioeconomic Advancement and Empowerment¹¹⁰

104 Michael Court, Deputy Under Treasurer, Department of Treasury, *Closed Transcript of Evidence*, 22 May 2023, p. 2.

105 International Capital Market Association, *Sustainable Finance*, nd, accessed 23 July 2024, <https://www.icmagroup.org/sustainable-finance/>.

106 Sustainalytics, *Second Party Opinion – Western Australian Treasury Corporation Sustainability Bond Framework*, April 2023, accessed 23 July 2024, <https://www.watc.wa.gov.au/media/5qspy5ox/western-australian-treasury-corporation-sustainability-bond-framework-second-party-opinion.pdf>.

107 Western Australian Treasury Corporation, *Sustainability Bond Framework*, April 2023, p. 11.

108 *ibid.*

109 *ibid.*, pp. 12-13.

110 Western Australian Treasury Corporation, *Sustainability Bond Framework*, April 2023, pp. 14-15.

- 2.35 In collaboration with the State Government, the WATC established a robust process to review and identify eligible projects, to ensure the proceeds from green, social and sustainability bonds are allocated to finance or refinance projects that align with the relevant criteria.¹¹¹
- 2.36 The Committee understands the Sustainability Bond Framework is highly regarded. We heard evidence indicating it was a very well thought out document that avoids accusations of greenwashing, and that this was perhaps the benefit of being able to learn from other jurisdictions.¹¹²

Finding 15

In May 2023, the Western Australian Treasury Corporation published the State Government’s Sustainability Bond Framework. The Framework provides a structure for issuing green, social and sustainability bonds to assist Government finance initiatives to support the Government’s commitment to the Paris Agreement.

Finding 16

Sustainalytics, a large global assurance provider, analysed the Sustainability Bond Framework and provided a Second-Party Opinion confirming it aligns to the International Capital Market Association’s Principles.

Finding 17

A robust Sustainability Bond Framework limits accusations of greenwashing.

WATC investor engagement program

- 2.37 Following the launch of the Sustainability Bond Framework, WATC announced its intention to participate in the sustainable finance market through issuance of an inaugural green bond in accordance with the Framework.¹¹³
- 2.38 To support the release of the Framework, an intensive investor engagement program was completed in late May 2023. Representatives from WATC met with 69 domestic and offshore investors across 12 cities. The engagement program aimed to:
- Raise awareness of WATC’s participation in the sustainable finance market,
 - Highlight the connection between this program and the WA Government’s broader ESG credentials, and
 - Expand the WA Government’s investor base to include investors specifically seeking an ESG-labelled issuance.¹¹⁴

111 Western Australian Treasury Corporation, *Sustainability Bond Framework*, April 2023, p. 16.

112 Closed briefing.

113 Western Australian Treasury Corporation, *Annual Report 2023*, August 2023, p. 34.

114 *ibid.*, p. 34.

Inaugural green bond in Western Australia

- 2.39 In June 2023, the WATC issued its first green bond, raising \$1.9 billion in funding for eligible government projects that deliver environmental outcomes for the State (see Table 2.1).¹¹⁵ According to the Treasurer, Hon Rita Saffioti MLA –

The bond, which matures in July 2033, was heavily oversubscribed with over \$6 billion in bids from more than 60 investors. The green bond is a "use of proceeds bond". It supports eligible projects delivering positive environmental outcomes, such as the State's significant investment to decarbonise the main electricity grid. This includes batteries and wind farms, electric vehicle charging infrastructure and rebates and standalone power systems.¹¹⁶

- 2.40 The bond was so well received by market participants that the WATC won the 2023 award for Australian Sustainability Bond Deal of the Year.¹¹⁷

Finding 18

In June 2023, the Western Australian Treasury Corporation issued its first green bond, raising \$1.9 billion in funding for eligible government projects that deliver environmental outcomes for the State.

Finding 19

The Western Australian bond was heavily oversubscribed, indicating strong investor demand.

Recommendation 1

That the Treasurer consider opportunities to expand Western Australia's green bond issuance.

Sustainability Bond Framework Annual Report

- 2.41 To support the green bond issue, WATC committed to publishing a Sustainability Bond Framework annual report to detail how proceeds are allocated to eligible projects. The annual report will include detailed project descriptions, their delivery status and impact indicators.¹¹⁸
- 2.42 In December 2023, the WATC released the inaugural *Sustainability Bond Framework Annual Report*. According to the Annual Report, the governance committee overseeing the Framework evaluated individual projects based on their relevance to progressing three key environmental themes:

115 Hon Rita Saffioti MLA, Treasurer, *Western Australia issues inaugural \$1.9 billion green bond*, media release, 14 June 2023, accessible from <https://www.wa.gov.au/government/media-statements/Cook-Labor-Government/-Western-Australia-issues-inaugural-%241.9-billion-green-bond-20230613>.

116 *ibid.*

117 Western Australian Treasury Corporation, *WATC Green Bond wins KangaNews Sustainability Bond Deal of the year*, 5 December 2023, accessed 16 July 2024, <https://www.watc.wa.gov.au/news/watc-green-bond-wins-kanganews-sustainability-bond-deal-of-the-year/>.

118 Western Australian Treasury Corporation, *Annual Report 2023*, August 2023, p. 35.

- Reducing emissions from electricity generation;
- Transport infrastructure to support the net-zero transition;
- Enhancing climate change adaptation and resilience.¹¹⁹

Table 2.1: Allocation of Green Bond Proceeds: Issuance to 31 October 2023¹²⁰

1 Reducing emissions from electricity generation			
ICMA GREEN BOND PRINCIPLES CATEGORY	PROJECT NAME	PROJECT STATUS	GREEN BOND PROCEEDS ALLOCATION (\$M)
Renewable Energy	Wind farms	Planning	30
	Standalone power systems	Under construction/ partially operational	60
	Solar school programs	Under construction/ partially operational	4
Energy Efficiency	Large scale batteries	Under construction/ partially operational	781
	Advanced metering infrastructure	Under construction/ partially operational	90
	LED streetlights	Under construction/ partially operational	10
2 Transport infrastructure to support net-zero transition			
ICMA GREEN BOND PRINCIPLES CATEGORY	PROJECT NAME	PROJECT STATUS	GREEN BOND PROCEEDS ALLOCATION (\$M)
Clean Transportation	Metronet	Under construction/ partially operational	855
	Electric vehicle initiatives	Under construction/ partially operational	25
	Active infrastructure	Under construction/ partially operational	50
3 Enhancing climate adaptation and resilience			
ICMA GREEN BOND PRINCIPLES CATEGORY	PROJECT NAME	PROJECT STATUS	GREEN BOND PROCEEDS ALLOCATION (\$M)
Sustainable Water	Renewable desalination plant	Planning	20
Total			1,925

2.43 The WATC believes that the Annual Report satisfies the requirement from investors for transparency, and that this is reinforced through verification by an external assurance provider.¹²¹

119 Western Australian Treasury Corporation, *Sustainability Bond Framework Annual Report 2023*, December 2023, p. 13.

120 Recreated from: Western Australian Treasury Corporation, *Sustainability Bond Framework Annual Report 2023*, December 2023, p. 14.

121 Western Australian Treasury Corporation, *Fourth Quarter 2023 Newsletter*, December 2023, p. 11.

- 2.44 In line with the commitment made within the Framework and in conjunction with preparing the Annual Report, the WATC commissioned a reputable independent assurance provider to evaluate the projects funded with proceeds from the green bond.¹²² The assurance report confirmed the allocation of issuance proceeds from the green bond as of 31 October 2023 had met the necessary requirements.¹²³
- 2.45 The Committee believes it is in the State’s best interest to align to the rapidly developing sustainable finance frameworks and standards in order to remain resilient in the face of the physical, transitional and liability risks of climate change and also to remain competitive in international capital markets.

Sustainable finance

- 2.46 Throughout the Inquiry the Committee observed the rapid evolution of international financial system approaches to financial stability and ESG issues, especially the inter-related environmental issues of climate change and biodiversity loss.
- 2.47 We acknowledge that many of these changes are being driven in an increasingly co-ordinated manner to maintain financial stability, address development goals, implement transition planning to achieve climate change and nature goals and scale-up the required financial flows.
- 2.48 The Committee also noted the Commonwealth Government is taking steps to “green” the Australian financial system.
- 2.49 In December 2022, Commonwealth Treasurer, Hon Dr Jim Chalmers MP, announced the development of a comprehensive Sustainable Finance Strategy, which would include:
- The development of new standards or taxonomies for sustainable investment;
 - Further initiatives to reduce greenwashing and strengthen ESG labelling;
 - More ambitious participation in global forums to support climate and sustainable finance frameworks and investment.¹²⁴
- 2.50 A Sustainable Finance Strategy Consultation Paper was released in November 2023 for a one-month consultation period. The purpose of the Sustainable Finance Strategy is to ‘support Australia’s pathway to net zero by providing an ambitious and comprehensive framework for reducing barriers to investment into sustainable activities’.¹²⁵
- 2.51 To further strengthen support for greening the Australian finance market, the 2023-24 Federal Budget included a commitment of \$8.3 million over 4 years to develop and issue

122 Western Australian Treasury Corporation, *Sustainability Bond Framework Annual Report 2023*, December 2023, p. 20.

123 *ibid.*

124 Hon Dr Jim Chalmers MP, Treasurer (Cth); Hon Chris Bowen MP, Minister for Climate Change and Energy (Cth); Hon Stephen Jones MP, Assistant Treasurer, Minister for Financial Services (Cth), *More transparency and more investment in cleaner and cheaper energy*, media release, 12 December 2022, accessible from <https://ministers.treasury.gov.au/ministers/jim-chalmers-2022/media-releases/more-transparency-and-more-investment-cleaner-and->

125 Treasury (Cth), *Sustainable Finance Strategy*, 2 November 2023, accessed 23 July 2024, <https://treasury.gov.au/consultation/c2023-456756>.

sovereign green bonds, \$1.6 million to co-fund with the private sector the development of an Australian sustainable finance taxonomy, and \$4.3 million to bolster ASIC's enforcement action against greenwashing.¹²⁶ This financial commitment laid the foundation for an Australian Sustainable Finance Strategy, which will support the financial system to fund the transformation to net zero.¹²⁷

- 2.52 As has been a recurring theme throughout this Inquiry, there was another major development in the Australian sustainable finance space as the Committee was nearing the conclusion of its Inquiry. In June 2024, the Commonwealth Treasury released its *Sustainable Finance Roadmap*.¹²⁸

Finding 20

There has been a rapid evolution of international financial system approaches to financial stability and ESG issues, especially the inter-related environmental issues of climate change and biodiversity loss.

The Australian Sustainable Finance Roadmap

- 2.53 The Sustainable Finance Roadmap (the Roadmap) was developed in response to the consultation on the Sustainable Finance Strategy in November 2023.¹²⁹
- 2.54 According to the Commonwealth Treasurer, the aim of the Roadmap is to mobilise the 'significant private capital required to achieve net zero, modernising [Australia's] financial markets and maximising the economic opportunities associated with energy, climate and sustainability goals'.¹³⁰ The Treasurer noted that while facilitating the net zero transformation is a key objective, the Government is taking a 'climate first, not only' approach to sustainable finance.¹³¹
- 2.55 The Roadmap is part of the Australian Government's Sustainable Finance Strategy. To date, the Strategy's primary focus has been the proposed introduction of mandatory climate-related financial disclosures (discussed in Chapter 4). The Roadmap will see the next step in Australia's sustainable finance reforms.¹³² The Roadmap includes ten priorities broadly split into three pillars, as outlined in Box 2.1 below.

126 Australian Government, *Budget 2023-24: Budget Strategy and Outlook, Budget Paper No. 1*, 9 May 2023, p. 26.

127 *ibid.*

128 Treasury (Cth), *Sustainable Finance Roadmap*, June 2024, accessed 23 July 2024, <https://treasury.gov.au/the-department/about-treasury/our-organisation>.

129 *ibid.*

130 Treasury (Cth), *Sustainable Finance Roadmap*, June 2024, p. 1.

131 *ibid.*

132 Herbert Smith Freehills, *Australia's 'Sustainable Finance Roadmap' to Net Zero*, 21 June 2024, accessed 23 July 2024, <https://www.herbertsmithfreehills.com/insights/2024-06/australia%E2%80%99s-sustainable-finance-roadmap-to-net-zero>.

Box 2.1: Sustainable Finance Roadmap pillars and priorities

Pillar 1 – Improve transparency on climate and sustainability

- Priority 1: Implementing climate-related financial disclosures
- Priority 2: Developing the Australian Sustainable Finance Taxonomy
- Priority 3: Supporting credible net zero transition planning
- Priority 4: Developing sustainable investment product labels

Pillar 2 –Financial system capabilities

- Priority 5: Enhancing market supervision and enforcement
- Priority 6: Identifying and responding to systemic financial risks
- Priority 7: Addressing data and analytical challenges
- Priority 8: Ensuring fit for purpose regulatory frameworks

Pillar 3 – Australian Government leadership and engagement

- Priority 9: Issuing Australian sovereign green bonds
- Priority 10: Stepping up Australia’s international engagement

Source: Treasury (Cth), Sustainable Finance Roadmap, June 2024.

- 2.56 Unfortunately, due to the timing of the publication of the Roadmap (June 2024) and the Inquiry’s deadline, the Committee was unable to receive input from WA Treasury on any implications the Roadmap may have for Western Australia, positive or negative, or how the Treasury will be engaging with the development of the Roadmap.

Finding 21

The aim of the Sustainable Finance Roadmap is to mobilise the significant private capital required to achieve net zero, thereby modernising Australia’s financial markets and maximising the economic opportunities associated with energy, climate and sustainability goals.

Finding 22

The Australian Federal Government is taking a ‘climate first, not only’ approach to sustainable finance.

Australian Sustainable Finance Taxonomy

- 2.57 The Committee was interested to see the second priority in the Roadmap was ‘Developing the Australian Sustainable Finance Taxonomy’. In May 2023, members of the Committee met with the Minister for Climate Action, Hon Reece Whitby MLA, and representatives from the Australian Sustainable Finance Institute (ASFI) to learn about plans for the voluntary Australian Sustainable Finance Taxonomy project.
- 2.58 The Australian Taxonomy Development Project commenced in July 2023 as a joint industry-government initiative led by ASFI, in partnership with the Commonwealth Treasury, to develop a sustainable finance taxonomy for Australia.¹³³ A sustainable finance taxonomy is a

133 Australian Sustainable Finance Institute, *Taxonomy Project*, nd, accessed 24 July 2024, <https://www.asfi.org.au/taxonomy>.

‘framework to classify economic activities and assets that positively contribute to key sustainability objectives’.¹³⁴

2.59 The Australian Sustainable Finance Taxonomy (the Taxonomy) is a proposed voluntary whole-of-economy financial classification system, or green finance taxonomy, to define which economic activities will be considered “green”, “transition” or “excluded” in Australia’s 1.5°C-aligned net zero by 2050 plan.¹³⁵

2.60 The aim of the Taxonomy will be to –

Provide common, consistent, scientifically rigorous definitions for green and transition finance in Australia, helping to accelerate the allocation of capital towards sustainable activities to achieve Australia’s net zero ambitions. Its primary purpose is to support the flow of capital into sustainable activities and ensure market integrity, transparency, and fairness, and to address greenwashing.¹³⁶

2.61 The need for a sustainable finance taxonomy sits at the core of sustainable finance policies in many other countries. Already prominent in the European Union, there are over 40 sustainable or green finance taxonomies in place or under development globally.¹³⁷

2.62 The Australian Sustainable Finance Taxonomy includes six proposed environmental objectives which have been selected based on Australia’s environmental priorities and commitments and alignment with other taxonomies. The proposed environmental objectives comprise:

- Climate change mitigation
- Climate change adaptation and resilience
- Biodiversity and ecosystem protection
- Sustainable use and protection of water resources
- Pollution prevention and control
- Transition to a circular economy.¹³⁸

2.63 The first round of public consultation on the taxonomy closed on 30 June 2024. It sought feedback on the following:

- Draft headline ambitions for the Australian taxonomy’s environmental objectives
- Draft climate change mitigation criteria for the first three priority sectors under development:
 - electricity generation and supply;
 - minerals, mining and metals;

134 Australian Sustainable Finance Institute, *Australian Sustainable Finance Taxonomy V0.1 – Public Consultation Paper*, May 2024, p. 8.

135 Australian Sustainable Finance Institute, *Designing Australia’s sustainable finance taxonomy*, Ernst & Young, March 2023, p. 63.

136 Australian Sustainable Finance Institute, *Australian Sustainable Finance Taxonomy V0.1 – Public Consultation Paper*, May 2024, p. 8.

137 *ibid.*

138 *ibid.*, p. 17.

- construction and the built environment.¹³⁹

2.64 The second round of public consultation is scheduled for later in 2024 and will seek further feedback on the above, in addition to the following:

- The climate mitigation criteria for:
 - manufacturing and Industry;
 - transport;
 - agriculture and land use.
- A Do No Significant Harm framework;
- Minimum social safeguards; and
- The proposed use cases and rule set, comprising advice for how taxonomy users can demonstrate alignment with the taxonomy.¹⁴⁰

2.65 According to the Sustainable Finance Roadmap, development of the Taxonomy will continue into 2025, with government reviewing the voluntary taxonomy and considering relevant governance arrangements in mid-2025.¹⁴¹

2.66 Under the ASFI stakeholder engagement plan, State Government Taxonomy Forums will be held at key intervals during the development of the Taxonomy. In addition, there will be opportunities for government representatives with specific technical expertise to participate via relevant advisory groups.¹⁴²

Finding 23

A sustainable finance taxonomy is a framework to classify economic activities and assets that positively contribute to key sustainability objectives.

Finding 24

The need for a sustainable finance taxonomy sits at the core of sustainable finance policies in many other countries. Already prominent in the European Union, there are over 40 sustainable or green finance taxonomies in place or under development globally.

Finding 25

Development of the Australian Sustainable Finance Taxonomy will continue into 2025, with the Commonwealth Government reviewing the voluntary taxonomy and considering relevant governance arrangements in mid-2025.

139 Australian Sustainable Finance Institute, *Australian Taxonomy Public Consultation*, nd, accessed 24 July 2024, <https://www.asfi.org.au/taxonomy-public-consultation/>.

140 *ibid.*

141 Treasury (Cth), *Sustainable Finance Roadmap*, June 2024, p. 15.

142 Australian Sustainable Finance Institute, *Stakeholder Engagement Plan for the Australian Sustainable Finance Taxonomy Project*, October 2023, p. 6.

Chapter 3

State Government's commitment to net zero by 2050

Management of climate change and progress towards net zero emissions is often the lead indicator for the 'E' in ESG across both the public and private sector.

Submission 5, Department of Water and Environmental Regulation

- 3.1 As discussed in Chapter 1, updated climate science in the Intergovernmental Panel on Climate Change's Sixth Assessment Report (IPCC AR6) indicates that future impacts of climate change will likely worsen, and global climate action has increased to tackle this. This includes increased focus on setting net zero emissions targets and on the pathways to achieve those targets.
- 3.2 While investor expectations regarding ESG factors have increased in general, the Committee heard that the environmental component of ESG (the 'E') is considered the most crucial ESG component in relation to attracting international investment. However, not all factors of the 'E' have been considered by investors to have equal importance; the Committee heard that for Western Australia, a commitment to net zero emissions is key to demonstrating good ESG outcomes attractive to international investors.
- 3.3 Considering this, the Chapter will look at how a commitment to net zero emissions plays an important role in securing international investment. It will then summarise the State Government's primary climate policy and strategies, highlighting proposed methods to achieve net zero emissions by 2050, such as the Climate Change Bill 2023.
- 3.4 The Chapter will then discuss the impact of WA's industries on emissions levels, and how this means information about emissions reduction pathways must be open and transparent to continue to attract international investment. Finally, the Chapter looks at the importance of meeting decarbonisation targets and other milestones in order to retain investor interest.

The Environment component of ESG and international investment

- 3.5 According to the Department of Treasury (WA Treasury) and the Western Australian Treasury Corporation (WATC) 'a commitment to net zero emissions by 2050 is an integral part of developing meaningful targets, programs and initiatives to drive good ESG outcomes'.¹⁴³ The Department of Water and Environmental Regulation (DWER) agreed, submitting that:

Management of climate change and progress towards net zero emissions is often the lead indicator for the 'E' in ESG across both the public and private sector.

¹⁴³ Submission 9, Department of Treasury (WA) and Western Australian Treasury Corporation, p. 1.

Strong and credible action on climate, which is measured and disclosed, is fundamental to demonstrating Western Australia's ESG credentials.¹⁴⁴

- 3.6 This was confirmed from an academic perspective with the John Curtin Distinguished Professor of Sustainability at Curtin University, Professor Peter Newman, who advised us that ESG is 'mostly about net zero'.¹⁴⁵
- 3.7 The Commonwealth Scientific and Industrial Research Organisation (CSIRO) related net zero commitments to securing international investment. In their submission, they noted their 2022 *Our Future World* report, which describes 'global megatrends' of Australia's possible future challenges and opportunities. The CSIRO report highlights that investors will favour entities with net zero commitments and, in some cases, completely overlook those without.¹⁴⁶
- 3.8 In August 2019, the State Government announced its aspiration for net zero emissions by 2050 as part of its Greenhouse Gas Emissions Policy for Major Projects.¹⁴⁷ This policy stated that the setting and publishing of net zero targets 'helps to ensure competitiveness, manage business risk and drive innovation' in the state.¹⁴⁸
- 3.9 The Committee heard from the Chamber of Minerals and Energy of WA (CME) that:
- The WA Government's commitment to net zero lays the ground for a strong regulatory and policy framework, providing government and businesses with the certainty they need to invest in decarbonisation...This certainty and messaging from the WA Government is also an attractive influence on foreign investment capital and enhances WA's investment reputation more broadly.¹⁴⁹
- 3.10 As WA Treasury explained, efforts towards ESG outcomes, like a commitment to the Paris Agreement goal, and the goal of net zero emissions by 2050, are necessary 'to ensure both companies' and government's ability to raise capital (i.e. issue bonds) into the future, as progress against these objectives is a key investor requirement'.¹⁵⁰
- 3.11 Further, the Department of Energy, Mines, Industry Regulation and Safety (DEMIRS) advised that without action such as a net zero target, there would be 'potentially higher cost financing for public investments as investors place a premium on ESG credentials'.¹⁵¹

144 Submission 5, Department of Water and Environmental Regulation, p. 1.

145 Professor Peter Newman, John Curtin Distinguished Professor of Sustainability, Curtin University, *Transcript of Evidence*, 11 March 2024, p. 3.

146 Submission 8, CSIRO, p. 2.

147 Hon Bill Johnston MLA, Minister for Energy, Legislative Assembly, *Hansard*, 28 August 2019, pp. 5985-5986.

148 Government of Western Australia, *Greenhouse Gas Emissions Policy for Major Projects*, August 2019, p. 1.

149 Submission 16, The Chamber of Minerals and Energy of WA, p. 3.

150 Submission 9, Department of Treasury (WA) and Western Australian Treasury Corporation, p. 9.

151 Submission 10, Department of Mines, Industry Regulation and Safety, p. 5.

Note: After the submission was received, on 1 December 2023 the Department was renamed Department of Energy, Mines, Industry Regulation and Safety.

- 3.12 After setting the target of net zero emissions by 2050, State Government-led climate action increased, resulting in the selection of policies and strategies we see today. In this way, the commitment to net zero emissions is not only the starting point for subsequent climate action, but it is also the certainty required to lay out a decarbonisation pathway that will help secure international investment.

Finding 26

The State Government's commitment to net zero emissions by 2050 is critical to securing international investment because it provides greater certainty about the State's pathway and subsequent investment risks and opportunities.

WA Climate Policy and net zero emissions by 2050

- 3.13 While there were several climate-related plans and strategies in place prior to August 2019, the announcement of the 'net zero emissions by 2050 aspiration'¹⁵² by the then Minister for Energy Hon Bill Johnston MLA, appeared to kickstart more structured climate action from the WA Government. This began with DWER publishing an issues paper on the development of a new climate policy for public consultation between September and November 2019.¹⁵³
- 3.14 The issues paper defined the relationship between climate action and net zero. It described that the net zero emissions aspiration 'creates the overarching framework for the State Climate Policy, ensuring that Western Australia captures the emerging opportunities of the low-carbon transition'.¹⁵⁴
- 3.15 The issues paper expressed the need for a 'clear State Government policy and roadmap for action' to help manage the risks and seize opportunities posed by climate change. These included: resilience to climate change impacts; the energy transition; and opportunities presented by new technologies, emerging markets and changing customer preferences.¹⁵⁵ It stated that a 'coordinated approach' to climate change policy would produce the most favourable outcomes, and so sought feedback on how the Government could best respond.¹⁵⁶
- 3.16 Informed by public consultation, the *Western Australian Climate Policy* (the Climate Policy) was released in November 2020. The Policy 'outlines the priority themes and practical actions the State Government is taking' to adapt to and mitigate adverse impacts of climate change.¹⁵⁷ Regarding climate adaptation, it aims to provide 'tools to enhance resilience and for business to thrive in a low-carbon future'.¹⁵⁸ For climate mitigation, it aims to

152 Hon Bill Johnston MLA, Minister for Energy, Legislative Assembly, *Hansard*, 28 August 2019, pp. 5985-5986.

153 Department of Water and Environmental Regulation, *Climate change issues paper - consultation*, 2019, accessed 17 June 2024, <https://consult.dwer.wa.gov.au/climatechange/issues-paper/>.

154 *ibid.*, p. 3.

155 Department of Water and Environmental Regulation, *Climate change in Western Australia: Issues paper – September 2019*, Perth, September 2019, p. iv.

156 *ibid.*

157 Department of Water and Environmental Regulation, *Western Australian Climate Policy: A plan to position Western Australia for a prosperous and resilient low-carbon future*, November 2020, p. 7.

158 *ibid.*, p. 5.

demonstrate and underscore the State’s commitment to the net zero aspiration.¹⁵⁹ Ultimately, the Climate Policy aims to ‘lay the foundation for the net zero transition’.¹⁶⁰

3.17 To focus action, the Climate Policy identifies six themes:

- Clean manufacturing and future industries;
- Transforming energy generation and use;
- Storing carbon and caring for our landscapes;
- Lower-carbon transport;
- Resilient cities and regions;
- Government leadership.¹⁶¹

3.18 For each theme, the Climate Policy outlines key outcomes to work towards, and then lists the relevant actions that intend to deliver the outcomes.¹⁶² These actions comprise 64 initiatives led by 22 entities.¹⁶³ They include both new initiatives and those already underway when the Climate Policy was released.¹⁶⁴ Together, they are the ‘most significant, high-impact actions’ that prepare for possible impacts of climate change, and work towards emissions reduction and abatement.¹⁶⁵

3.19 The intra-government coordination of the Climate Policy’s implementation is led by DWER through two groups: the Climate Action Portfolio Oversight Group and the Climate Action Senior Officers Group. Whole-of-government decision making relating to climate change is monitored by the Ministerial Taskforce on Climate Action, which is chaired by the Minister for Climate Action and includes several other ministers. The Taskforce is also responsible for monitoring delivery of the Climate Policy, with support from DWER.¹⁶⁶

Finding 27

In August 2019, the State Government announced its commitment to net zero emissions by 2050, which initiated more structured climate action.

Finding 28

The Western Australian Government’s ongoing commitment to net zero emissions by 2050 is a key driver for subsequent and continuing state-wide climate action.

Finding 29

The Western Australian Climate Policy is, as of July 2024, the Western Australian Government’s overarching guide for state-wide climate adaptation and mitigation efforts.

159 Department of Water and Environmental Regulation, *Western Australian Climate Policy: A plan to position Western Australia for a prosperous and resilient low-carbon future*, November 2020, p. 7.

160 *ibid.*, p. 9.

161 *ibid.*, p. 7.

162 *ibid.*, p. 13.

163 Submission 5, Department of Water and Environmental Regulation, p. 1.

164 Department of Water and Environmental Regulation, *Western Australian Climate Policy: A plan to position Western Australia for a prosperous and resilient low-carbon future*, November 2020, p. 5.

165 *ibid.*, p. 7.

166 Submission 5, Department of Water and Environmental Regulation, p. 2.

Key initiatives of the WA Climate Policy

- 3.20 As discussed above, the 64 initiatives outlined in the Climate Policy are designed to meet climate change adaptation needs and cover mitigation efforts. This includes addressing environmental stressors; building climate-resilient infrastructure;¹⁶⁷ prioritising lower-emissions value chains and operations across energy, mining and agriculture sectors; and guiding decarbonisation across the rest of our economy.¹⁶⁸
- 3.21 To date, lead agencies have made progress on most of the 64 initiatives; however, the scope and characteristics of some have changed. Other initiatives are yet to commence, and announcements have been made that at least one will no longer go ahead.
- 3.22 While all initiatives outlined in the Climate Policy aim to contribute to climate action, there are two primary initiatives that address climate adaptation and climate mitigation respectively. The primary initiative addressing climate mitigation needs is the development of a sectoral emissions reduction strategy. The primary initiative responding to climate adaptation needs is the development of a climate adaptation strategy, which was referred to as the 'Climate Resilience Action Plan 2022-2025' in the Climate Policy.¹⁶⁹ This plan was intended to be 'a coordinated, collaborative plan to support Western Australian industries, cities and regions to identify and manage climate impacts and enhance climate resilience'.¹⁷⁰ The final adaptation strategy changed in name, but still addresses climate adaptation and resilience.
- 3.23 These two documents, in addition to the Climate Change Bill 2023, which is the State Government's proposal to formalise the commitment and pathway to net zero emissions¹⁷¹, will be discussed further in subsequent sections of this Chapter.

Climate Adaptation Strategy

- 3.24 In December 2022, DWER released *Climate Resilient WA: Directions for the state's Climate Adaptation Strategy*. The document acknowledged that adaptation is critical to ensure communities and ecosystems are protected from worsening impacts of climate change and set directions to improve the coordination and delivery of a statewide climate adaptation response. These directions would lay the foundation for the *Climate Adaptation Strategy*.¹⁷²
- 3.25 Following targeted consultation with local governments, Aboriginal groups, environmental groups, and peak industry bodies, the *Climate Adaptation Strategy* (the Strategy) was released in July 2023.¹⁷³ It sets out 37 'actions that the State Government will take to improve the climate resilience of its infrastructure, assets and services, and to enhance

167 Department of Water and Environmental Regulation, *Western Australian Climate Policy: A plan to position Western Australia for a prosperous and resilient low-carbon future*, November 2020, p. 10.

168 *ibid.*, p. 9.

169 *ibid.*, p. 34.

170 *ibid.*

171 Hon Reece Whitby MLA, Minister for Climate Action, Legislative Assembly, *Hansard*, 30 November 2023, p. 6898.

172 Department of Water and Environmental Regulation, *Climate Resilient WA: Directions for the state's Climate Adaptation Strategy*, December 2022, p. 4.

173 Department of Water and Environmental Regulation, *Climate Adaptation Strategy: Building WA's climate resilient future*, July 2023, p. 8.

climate adaptation by communities, business and local government'.¹⁷⁴ The Strategy lists the lead agency responsible for the implementation of each action and the expected completion date.¹⁷⁵ Each action relates to one of the four directions in the Strategy; these include:

- Produce and communicate credible climate information and resources;
- Build public sector climate capability and strengthen accountability;
- Enhance sector-wide and community partnerships to unite and coordinate action;
- Empower and support the climate resilience of Aboriginal people.¹⁷⁶

3.26 DWER submits that these directions will 'help ensure communities, economy and environment remain resilient and continuously adapting to climate change in a collaborative way'.¹⁷⁷

3.27 Further, to ensure climate adaptation actions are 'proactive, equitable, collaborative and promote resilience now and for future generations', the Strategy states the WA Government will adopt the following principles:

- Collaborate
- Adjust as we go
- Make well-informed decisions
- Mainstream adaptation
- Think long-term
- Adapt locally
- Promote equity
- Maximise co-benefits.¹⁷⁸

3.28 To support delivery of the Strategy, DWER told the Committee that almost \$40 million had been allocated in the 2023-24 State Budget.¹⁷⁹ However, in the 2024-25 State Budget, the total amount allocated to climate adaptation measures is not clearly stated.

3.29 The Strategy acknowledges that, because adapting to climate change is a learning process, it is important to monitor, evaluate and report implementation progress.¹⁸⁰ To enable this, the Strategy proposes an oversight framework that would align with requirements such as those proposed in the Climate Change Bill 2023, as well as national initiatives.¹⁸¹

174 Department of Water and Environmental Regulation, *Climate Adaptation Strategy: Building WA's climate resilient future*, July 2023, p. 9.

175 *ibid.*, pp. 20-22.

176 *ibid.*, pp. 20-22.

177 Submission 5, Department of Water and Environmental Regulation, p. 3.

178 Department of Water and Environmental Regulation, *Climate Adaptation Strategy: Building WA's climate resilient future*, July 2023, p. 9.

179 Submission 5, Department of Water and Environmental Regulation, p. 4.

180 Department of Water and Environmental Regulation, *Climate Adaptation Strategy: Building WA's climate resilient future*, July 2023, p. 19.

181 *ibid.*

Sectoral Emissions Reduction Strategy

- 3.30 Following its initial proposal in the WA Climate Policy, development of the *Sectoral Emissions Reduction Strategy* (SERS) commenced in December 2021 when the WA Government released the document *Shaping Western Australia's low-carbon future: Developing sectoral emissions reduction strategies to transition the economy to net zero*. It outlined the reasons for developing the SERS and factors to be considered in the process. It stated the intention of the future SERS was to 'provide robust and credible pathways' for the State's transition to net zero emissions.¹⁸² This would address emissions reduction in the main sectors of the economy through key methods of emissions mitigation such as avoidance, reduction, and carbon offsets.¹⁸³
- 3.31 Lead by DWER, in partnership with 10 other agencies¹⁸⁴, the SERS was built on initiatives already underway, and was informed by consultation with peak industry groups, businesses and research institutions to reflect industry expectations and needs.¹⁸⁵ The SERS was also informed by sector modelling and whole-of-economy energy systems modelling supported by the Climateworks Centre¹⁸⁶ and CSIRO. The modelling considered different scenarios, including local and global factors relating to how government and industry could best achieve net zero emissions.¹⁸⁷
- 3.32 Following two years of development, the final SERS was released in December 2023.¹⁸⁸ It sets out six emissions reduction pathways for sectors covering all major sources of emissions in Western Australia:
- Electricity
 - Industry
 - Transport
 - Agriculture and land
 - Buildings and waste
 - Ensuring a just transition.¹⁸⁹
- 3.33 Each pathway included priorities, benchmarks, and milestones for relevant sectors, and accounted for expected variation in each sector's pace of decarbonisation.¹⁹⁰

182 Department of Water and Environmental Regulation, *Shaping Western Australia's low-carbon future: Developing sectoral emissions reduction strategies to transition the economy to net zero*, December 2021, p. 7.

183 *ibid.*, p. 12.

184 Alistair Jones, Department of Water and Environmental Regulation, *Transcript of Evidence*, 20 March 2024, p. 2.

185 Submission 5, Department of Water and Environmental Regulation, p. 2.

186 The Climateworks Centre is a non-profit organisation that develops independent, evidence-based solutions to assist the transition to net zero emissions. See: <https://www.climateworkscentre.org/>

187 Department of Water and Environmental Regulation, *Sectoral emissions reduction strategy for Western Australia*, December 2023, p. 14.

188 *ibid.*, p. 4.

189 *ibid.*, pp. 6-7.

190 *ibid.*, p. 15.

- 3.34 Across the six pathways, the SERS identifies 40 new initiatives, each linked to a lead agency for implementation, and provides target completion dates.¹⁹¹ The initiatives are intended to ‘drive innovation, provide incentives for clean energy investment, build social licence for key technologies and facilitate infrastructure critical for Western Australia’s transition to net zero emissions’.¹⁹² However, the SERS notes that these initiatives are just priorities for immediate action, and that new needs and opportunities will emerge over time.¹⁹³
- 3.35 Ultimately, the SERS is intended to create the foundation for delivering the State Government’s commitment to reducing emissions to net zero by 2050.¹⁹⁴ In other words, it is an overarching net zero plan from which to build future action. However, unlike the *Climate Adaptation Strategy*, there is no proposed monitoring or reporting framework for the SERS. It appears that reporting may instead be required for proposed emissions reduction strategies, as indicated in the Climate Change Bill 2023. This Bill will be discussed in the next section.

Finding 30

The *Sectoral Emissions Reduction Strategy* establishes the State Government’s overarching net zero 2050 plan.

Climate Change Bill 2023

- 3.36 In January 2023, the WA Government announced it would introduce climate change legislation by the end of the year. The proposed legislation would ‘provide a framework for the State’s climate change response and give industry, business and investors certainty and stability’.¹⁹⁵
- 3.37 The Climate Change Bill 2023 (the Bill) was introduced into the Legislative Assembly by the Minister for Climate Action, Hon Reece Whitby MLA, in November 2023. The Bill has several overall purposes laid out in clause 3. One is to ensure that WA contributes to global emissions reduction efforts through the setting of emissions reduction targets.¹⁹⁶ The Bill also intends to provide a legislative framework that will promote transparency and accountability; encourage investment in critical industries, infrastructure, technologies, and skills; support an orderly transition to net zero emissions; and ensure steps are taken to manage impacts of climate change on communities, the environment and the economy.¹⁹⁷
- 3.38 To achieve this, the Bill proposes to build on action already underway by introducing requirements for whole-of-state and State Government long term and interim emissions

191 Department of Water and Environmental Regulation, *Sectoral emissions reduction strategy for Western Australia*, December 2023, p. 32.

192 *ibid.*, p. 5.

193 *ibid.*, p. 5.

194 *ibid.*, p. 4.

195 Hon Reece Whitby MLA, Minister for Climate Action, *McGowan Government to introduce climate change legislation*, media release, 24 January 2023, accessible from <https://www.wa.gov.au/government/media-statements/McGowan-Labor-Government/McGowan-Government-to-introduce-climate-change-legislation-20230124>.

196 Hon Reece Whitby MLA, Minister for Climate Action, Legislative Assembly, *Hansard*, 30 November 2023, p. 6897.

197 *ibid.*

reductions targets.¹⁹⁸ The Bill also proposes the production of several documents, including an emissions reduction strategy, a climate adaptation strategy, sector adaptation plans and an annual climate change report.¹⁹⁹

3.39 Best described as a piece of proposed framework climate change legislation, the Bill sets out proposed 'statutory requirements to guide government decision-making and ensure accountability on climate change mitigation and adaptation'.²⁰⁰ The Bill also leaves details such as exact emissions reduction targets to be later prescribed by subsidiary legislation (by notice, regulations, etc).²⁰¹

3.40 DWER, who led the development and consultation for the Bill, told the Committee that the Bill is intended to help accelerate transition to net zero emissions in 'a responsible and achievable way'.²⁰²

Emissions reduction targets

3.41 The Bill proposes a long-term emissions reduction target of net zero by 2050 for all emissions attributable to WA.²⁰³ Despite the 2050 target being for all WA emissions, the Bill differentiates between whole-of-state and State Government emissions. It defines State Government as all departments, government trading enterprises and any other entities as declared for this purpose.²⁰⁴

3.42 To help achieve the 2050 net zero target, the Bill proposes that interim emissions reduction targets are also proposed to be set for both state-wide and State Government emissions.²⁰⁵ Separate State Government targets are, as the Minister for Climate Action explained, intended to show leadership on climate change by the State Government reducing emissions from its own operations.²⁰⁶

3.43 As the Committee understands, some provisions relating to interim emissions reduction targets are replicated in the Bill for both whole-of-state emissions, and for State Government emissions. These include:

- Targets to be set as soon as practicable after the Australian Government communicates Australia's Nationally Determined Contribution (NDC) for that year in accordance with Article 4.9 of the Paris Agreement;
- Targets specified as a point target (a percentage reduction from the base emissions level, except for the 2050 targets), and as an emissions budget of total net emissions for the five-yearly period (except for the 2030 State Government target);

198 Hon Reece Whitby MLA, Minister for Climate Action, Legislative Assembly, *Hansard*, 30 November 2023, p. 6897.

199 Climate Change Bill 2023 Explanatory Memorandum, p. 1.

200 *ibid.*

201 *ibid.*

202 Submission 5, Department of Water and Environmental Regulation, p. 2.

203 Climate Change Bill 2023, cl 7.

204 *ibid.*, cl 4, 10(1).

205 Climate Change Bill 2023, cl 8-11; Climate Change Bill 2023 Explanatory Memorandum, pp. 3-5.

206 Hon Reece Whitby MLA, Minister for Climate Action, Legislative Assembly, *Hansard*, 30 November 2023, p. 6898.

- Targets that represent a progression beyond any previous interim target, and may be expressed as a range;
- Targets that account for the mitigation hierarchy;²⁰⁷
- Limits on the extent that eligible offsets (any offsets that may be prescribed by regulations) may be used in determining net emissions;
- Provision for amendments in exceptional circumstances (determined by the Minister);
- Notice of the target (and any amendments, with a statement of reasons) must be published in the *Government Gazette* and tabled in Parliament;²⁰⁸

3.44 However, there is variation between some provisions for whole-of-state and State Government interim emissions reduction targets. Differences include:

- Years for which interim emissions reduction targets are proposed to be set:
 - State-wide targets: 2035, 2040, 2045 and 2050
 - State Government targets: 2030, 2035, 2040, 2045 and 2050.²⁰⁹
- State Government interim emissions reduction target for 2030 is:
 - Proposed to be set as soon as practicable (rather than after the lodgement of the next NDC, expected in 2025, as proposed for the whole-of-state target)²¹⁰
 - Not required to include an emissions budget of total net emissions for the five-year interim period (whole-of-state interim emissions targets must include this form of emissions budget)²¹¹
- Baseline emissions levels against which interim targets would be set:
 - State-wide: 2005 emissions levels (to ensure consistency with other Australian jurisdictions)²¹²
 - State Government: 2020 emissions levels (the first year for which data is available to estimate most accurately the total emissions from State Government operations)²¹³

3.45 The Committee understands that, in June 2022, the State Government set its 2030 interim emissions reduction target at 80% below 2020 emissions levels.²¹⁴ If the Climate Change Bill 2023 is enacted, this target is expected to be set by notice in the *Government Gazette* as soon as practicable.²¹⁵

207 Mitigation hierarchy means the preference for reducing emissions over relying on removals, and offsetting emissions only as a last resort: see Climate Change Bill 2023, cl. 4.

208 Climate Change Bill 2023, cl 4,7-10; Climate Change Bill 2023 Explanatory Memorandum, pp. 2-4.

209 Climate Change Bill 2023, cl 8-11; Climate Change Bill 2023 Explanatory Memorandum, pp. 3-5.

210 *ibid.*

211 *ibid.*

212 *ibid.*

213 *ibid.*

214 Hon Mark McGowan MLA, Premier, *Ambitious interim target set for State Government emissions*, media release, 23 June 2022, accessible from <https://www.wa.gov.au/government/media-statements/McGowan-Labor-Government/Ambitious-interim-target-set-for-State-Government-emissions-20220623>.

215 Hon Reece Whitby MLA, Minister for Climate Action, Legislative Assembly, *Hansard*, 30 November 2023, p. 6898.

3.46 The Committee acknowledges the requirement under the Bill for an emissions reduction strategy and a climate adaptation strategy (discussed below). It is not yet clear if the current SERS and the *Climate Adaptation Strategy* are sufficient to meet the intentions of the Bill if passed.

Emissions reduction strategy

3.47 The Bill proposes publication of an emissions reduction strategy to facilitate the meeting of WA's emissions reduction targets, and to support the transition to net zero.²¹⁶ The strategy would be required within three years of the date on which the Act comes into operation (after which time it may be amended or replaced), and then tabled in Parliament.²¹⁷

3.48 Proposed content of the strategy includes:

- Policies, programs and measures that support the purposes of the strategy;
- Responsibilities and time frames for their implementation, and related reporting requirements;
- Provision to include sectoral emissions reduction strategies within the overarching strategy.²¹⁸

Climate adaptation strategy

3.49 The Bill proposes a climate adaptation strategy that would aim to assist WA's communities, environment and economy to adapt to the impacts of climate change.²¹⁹ The strategy would have to be prepared within five years of the date on which the Act comes into operation (after which time it may be amended or replaced), and then tabled in Parliament.²²⁰

3.50 Proposed content of the strategy comprises:

- A summary of the implications of climate change for WA communities, environment and economy;
- Policies, programs and measures that support the purposes of the strategy;
- Responsibilities and timeframes for their implementation, and related reporting requirements;
- KPIs to enable monitoring and evaluation of the strategy's effectiveness.²²¹

Finding 31

The Climate Change Bill 2023 proposes requirements for publication of an emissions reduction strategy and a climate adaptation strategy. It is not yet known if the current SERS and the *Climate Adaptation Strategy* are sufficient to meet the requirements of the Bill if passed.

216 Climate Change Bill 2023, cl 12-15; Climate Change Bill 2023 Explanatory Memorandum, pp. 5-6.

217 *ibid.*

218 *ibid.*

219 Climate Change Bill 2023, cl 16-19; Climate Change Bill 2023 Explanatory Memorandum, pp. 6-7.

220 *ibid.*

221 Climate Change Bill 2023, cl 16-19; Climate Change Bill 2023 Explanatory Memorandum, pp. 6-7.

Sector adaptation plans

- 3.51 In addition to a climate adaptation strategy that would apply across the state, the Bill also proposes requirements for the development of adaptation plans for specified sectors of the economy.²²² This would be different to the current SERS, which is a climate mitigation strategy and details projected emissions reduction requirements across different sectors, rather than adaptation needs.²²³
- 3.52 Sector adaptation plans would be required for the following sectors: health and human services; emergency management; primary production; infrastructure and built environment; small and medium enterprise; natural environment; water security; as well as any other prescribed sector.²²⁴
- 3.53 The plan for each of these sectors would aim to increase awareness within the sector of potential climate change impacts and the capacity of sector participants to manage those impacts. Further, the plans would intend to facilitate collaboration between public and private sector participants to identify and implement policies and programs to enhance the sector's adaptation capacity. For each sector, a plan would need to be published as soon as practicable after the Act comes into operation.²²⁵
- 3.54 Proposed content of each sector's plan includes:
- Potential impacts of climate change on the sector and their likelihood, severity and potential costs;
 - Policies, programs and measures that support adaptation/management of impacts;
 - Responsibilities and time frames for their implementation, and related reporting requirements;
 - KPIs to enable monitoring and evaluation of the effectiveness of the plan.²²⁶

Annual climate change report

- 3.55 The final document proposed in the Bill is an annual climate change report, which would inform Parliament and the community about progress towards achieving WA's emissions reduction targets.²²⁷ The annual report would be required to be tabled in Parliament as soon as practicable after 30 June 2025 and no later than 31 December 2025.²²⁸ Proposed content of the report comprises:
- The Minister's determination of WA and State Government net emissions for the most recent year for which data is available;
 - Methodology of determining emissions (including eligible offsets);

222 Climate Change Bill 2023, cl 20-24; Climate Change Bill 2023 Explanatory Memorandum, pp. 7-8.

223 Department of Water and Environmental Regulation, *Sectoral emissions reduction strategy for Western Australia*, December 2023, pp. 6-7.

224 Climate Change Bill 2023, cl 20-24; Climate Change Bill 2023 Explanatory Memorandum, pp. 7-8.

225 *ibid.*

226 *ibid.*

227 Climate Change Bill 2023, cl 25; Climate Change Bill 2023 Explanatory Memorandum, p. 8.

228 *ibid.*

- A report on progress of implementing the emissions reduction strategy, and any other appropriate matters.²²⁹

Accountability and transparency

- 3.56 The Minister for Climate Action stated that the Bill would 'promote transparency and accountability' beyond the current State Government.²³⁰ The Bill contains provisions to the effect that the emissions reduction strategy, the climate adaptation strategy and the sector adaptation plans all must be informed by public consultation and be reviewed by the Minister (or Minister responsible for the plan, in the case of the sector adaptation plans) within five years of initial publication, and then at intervals no longer than five years.²³¹
- 3.57 Further, all documents must be tabled in each House of Parliament, except in case of minor or technical amendment or corrections. Should the Minister during a review choose not to amend or replace the document, notice of that decision must also be tabled.²³²

Status of the Climate Change Bill 2023 (at July 2024)

- 3.58 After its introduction to the Legislative Assembly in November 2023, debate on the second reading was adjourned.²³³ Following the summer break and the resumption of sittings for 2024, the Bill was listed on the Legislative Assembly's Notice Paper for 7 May 2024 as the first Government Business Order of the Day to be debated.²³⁴ However, debate on the Bill did not resume that day or during the remainder of the May and June sittings.²³⁵
- 3.59 Since State Government messaging has consistently reiterated the importance of the Bill, and clause 25 proposes annual climate change reporting to commence in 2025²³⁶, it is expected that debate will resume sometime during sittings in the second half of 2024.

Emissions profile of the WA economy

- 3.60 The IPCC AR6 reporting cycle found that '[f]easible, effective, and low-cost options for mitigation and adaptation are already available, with differences across systems and regions'.²³⁷ This means that, in addition to differences between climate adaptation measures, mitigation methods, namely emissions reduction pathways to net zero, will differ between jurisdictions.

229 Climate Change Bill 2023, cl 25; Climate Change Bill 2023 Explanatory Memorandum, p. 8.

230 Hon Reece Whitby MLA, Minister for Climate Action, Legislative Assembly, *Hansard*, 30 November 2023, p. 6898.

231 Climate Change Bill 2023 Explanatory Memorandum, pp. 1-9.

232 *ibid.*

233 Legislative Assembly Votes and Proceedings no. 160, accessible from <https://www.parliament.wa.gov.au/Parliament/SitSched.nsf/viewChamberDocsLA>.

234 Legislative Assembly Notice Paper no. 176, 7 May 2024, accessible from [https://www.parliament.wa.gov.au/parliament/sitsched.nsf/AllDocs/4D24A208CF8345C248258A450030809F/\\$file/an411176.pdf?OpenElement](https://www.parliament.wa.gov.au/parliament/sitsched.nsf/AllDocs/4D24A208CF8345C248258A450030809F/$file/an411176.pdf?OpenElement).

235 See Legislative Assembly Votes and Proceedings nos. 177 to 188, accessible from <https://www.parliament.wa.gov.au/Parliament/SitSched.nsf/viewChamberDocsLA>.

236 Climate Change Bill 2023, cl 25; Climate Change Bill 2023 Explanatory Memorandum, p. 8.

237 Intergovernmental Panel on Climate Change, *Summary for Policymakers In Climate Change 2023: Synthesis Report. Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change*, Geneva, 2023, p. 28.

- 3.61 The Committee understands that perhaps the most significant factor affecting WA's emissions reduction pathway is the makeup of our economy. This is because our economy is export-oriented; around half of Australia's exported goods such as minerals and petroleum come from our State.²³⁸ This represents the largest share of heavy industry of any Australian jurisdiction.²³⁹
- 3.62 DEMIRS told the Committee that WA is the global leader in production of iron ore and lithium, the third largest exporter of liquefied natural gas, and in the top five producers of gold, nickel, alumina, cobalt and rare earths. In 2022, \$246 billion worth of minerals and petroleum was produced, which DEMIRS said makes WA home to 'one of the most diverse and successful resource sectors in the world'.²⁴⁰
- 3.63 Such a large and successful resource sector is a major contributor to WA's economic prosperity. The WA resources sector now contributes around 29% of general government revenue,²⁴¹ and the size of the economy has doubled since 2005 (the baseline year for emission levels for the majority of Australian states).²⁴² While this has naturally brought huge advantages to the State, this significant industrial activity has also resulted in increased emissions. WA emissions now account for around 19% of the national total, up from 12.5% in 2005.²⁴³ According to the 2022 National Greenhouse Accounts prepared for United Nations Framework Convention on Climate Change reporting purposes, in 2019 WA's emissions had increased by 15.8% since 2005. Emissions reduced during the first two years of the COVID-19 pandemic but, by 2022, emissions had returned to an 8.3% increase on 2005 levels (see Figures 3.1 and 3.2 below).²⁴⁴

238 Department of Water and Environmental Regulation, *Sectoral emissions reduction strategy for Western Australia*, December 2023, p. 8.

239 *ibid.*

240 Submission 10, Department of Mines, Industry Regulation and Safety, p. 2.

241 Rebecca Tomkinson, Chief Executive Officer, The Chamber of Minerals and Energy of WA, *Transcript of Evidence*, 29 November 2023, p. 1.

242 Department of Water and Environmental Regulation, *Sectoral emissions reduction strategy for Western Australia*, December 2023, p. 13.

243 Calculated by the Committee using data from the 2022 National Greenhouse Accounts. Department of Climate Change, Energy, the Environment and Water (Cth), *Emissions by state and territory*, nd, accessed 9 July 2024, <https://greenhouseaccounts.climatechange.gov.au/>.

244 Calculated by the Committee using data from the 2022 National Greenhouse Accounts. Department of Climate Change, Energy, the Environment and Water (Cth), *Emissions by state and territory*, nd, accessed 9 July 2024, <https://greenhouseaccounts.climatechange.gov.au/>.

Figure 3.1: Estimated emissions levels for WA from 1990 to 2022²⁴⁵

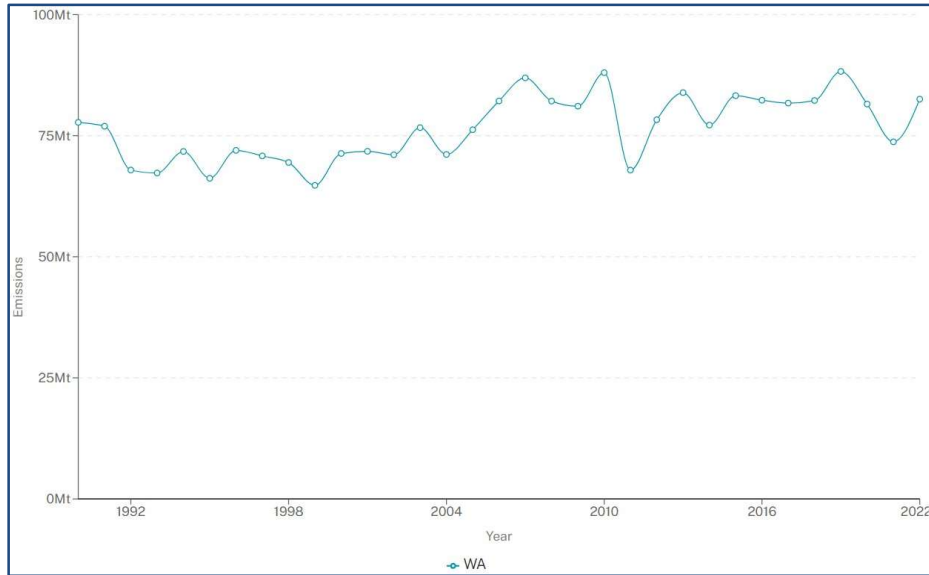
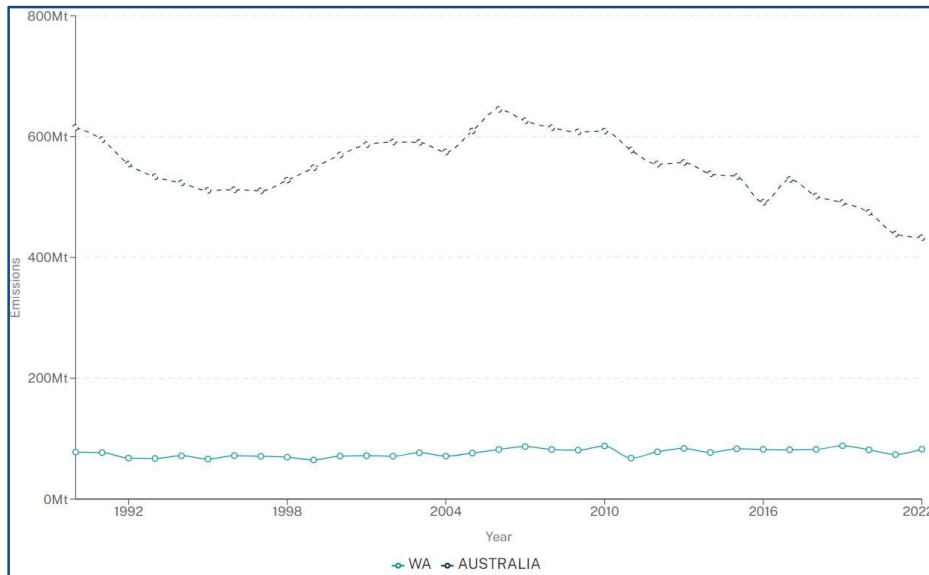


Figure 3.2: Estimated emissions levels for WA and Australia from 1990 to 2022²⁴⁶



245 Produced using 2022 National Greenhouse Accounts interactive tool. Department of Climate Change, Energy, the Environment and Water (Cth), *Emissions by state and territory*, nd, accessed 23 July 2024, <https://greenhouseaccounts.climatechange.gov.au/>.

246 Produced using 2022 National Greenhouse Accounts interactive tool. Department of Climate Change, Energy, the Environment and Water (Cth), *Emissions by state and territory*, nd, accessed 23 July 2024, <https://greenhouseaccounts.climatechange.gov.au/>.

Finding 32

The Western Australian economy is export-oriented with a large industrial base. This contributes significantly to state-wide emissions.

Finding 33

Western Australia's emissions have increased on average since 2005, and now account for around 19% of national emissions.

WA must contribute to national and global emissions reduction efforts

- 3.64 The Committee acknowledges that there are many environmental, social and economic reasons for WA to contribute to national and global emissions reduction efforts. The IPCC AR6 Synthesis Report summarises these reasons, stating that:

Without urgent, effective, and equitable mitigation and adaptation actions, climate change increasingly threatens ecosystems, biodiversity, and the livelihoods, health and well-being of current and future generations.²⁴⁷

- 3.65 However, it is beyond the scope of this Inquiry to address all the avenues for WA to contribute to wider emissions reduction efforts. Consequently, this section focusses on the justifications for contributing to wider emissions reduction that we heard or considered most relevant to this Inquiry.
- 3.66 A primary reason for WA to contribute to global mitigation efforts is that Australia is a signatory to the Paris Agreement, and signatories are legally bound to comply. This means Australia must help realise the goals of the Agreement (see Chapter 1 for information on the Paris Agreement).
- 3.67 One body that considers Australia's overall emissions reduction efforts is the Climate Change Authority (CCA), an independent statutory body which provides expert advice to the Australian Government on climate change policy.²⁴⁸ In its 2023 Annual Progress Report, submitted to inform the 2023 Climate Change Statement²⁴⁹, it stated that Australia is not currently on track to meet its 2030 emissions reduction target²⁵⁰ and the NDC of 43% below 2005 emissions levels by 2030.²⁵¹ As a result, the CCA advised that while emissions have been trending down since 2005, this trajectory will not continue unless emissions begin to decline rapidly at an average annual rate of 17 million tonnes of CO² equivalent.²⁵² Among other factors, the report mentions that to achieve required emissions reduction '[t]he necessary changes go beyond the reach of any government acting alone'²⁵³ and so calls for

247 Intergovernmental Panel on Climate Change, *Summary for Policymakers In Climate Change 2023: Synthesis Report. Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change*, Geneva, 2023, p. 24.

248 Climate Change Authority, *About the Authority*, nd, accessed 22 July 2024, <https://www.climatechangeauthority.gov.au/about-cca>.

249 Climate Change Authority, *2023 Annual Progress Report*, October 2023, p. ii.

250 *ibid.*, p. 4.

251 Department of Industry, Science, Energy and Resources (Cth), *Australia's Nationally Determined Contribution Communication 2022*, 2022, p. 3.

252 Climate Change Authority, *2023 Annual Progress Report*, October 2023, pp. 4-5.

253 *ibid.*, p. 3.

- 'greater involvement of and cooperation and coordination between the Australian and state and territory governments'.²⁵⁴
- 3.68 The Australian Government's Annual Climate Change Statement 2023 also acknowledges that 'effective collaboration between the Commonwealth, state and territory governments will be essential to achieving Australia's climate and energy goals'.²⁵⁵
- 3.69 Further, the Paris Agreement recognises the importance of sub-sovereign jurisdictions' engagement with climate action.²⁵⁶ This importance is demonstrated by initiatives such as the Under 2 Coalition, a network of 178 states and regions (including five other Australian states and territories)²⁵⁷ which promotes climate action and drives greater accountability to reach net zero emissions by 2050.²⁵⁸ Since WA currently contributes up to one fifth of national emissions, our State must play its part to help ensure that Australia fulfills its obligations under the Paris Agreement, and ultimately contributes to global emissions reduction.
- 3.70 The WA Government has set planning and regulatory frameworks to facilitate emissions reduction, and its messaging has increasingly referenced the need to contribute to national and global emissions reduction. For example, the WA Climate Policy references the need to reduce state-wide emissions to contribute to Australia's international commitments under the Paris Agreement.²⁵⁹ This message was strengthened in the SERS consultation document, which stated that '[w]hile the clean energy transformation is underway, we need to accelerate action to ensure the goal of the Paris Agreement remains within reach and our economy remains resilient and competitive into the future'.²⁶⁰
- 3.71 WA must also contribute to global emissions reduction to help mitigate the economic cost of inaction. For example, the Australian Government's 2023 Intergenerational Report states that a decrease in labour productivity due to higher temperatures above a 2°C average warming scenario could cost up to \$423 billion (in current dollars). Limiting temperature increase to 2°C would provide an additional \$155 billion in GDP relative to a 3°C scenario.²⁶¹ WA is identified as a jurisdiction which could experience greater impacts of higher temperatures resulting from climate change. As a result, the report notes the need for 'effective mitigation of further temperature increases'.²⁶²

254 Climate Change Authority, *2023 Annual Progress Report*, October 2023, p. 136.

255 Department of Climate Change, Energy, the Environment and Water (Cth), *Annual Climate Change Statement 2023*, 2023, p. 47.

256 *Paris Agreement to the United Nations Framework Convention on Climate Change*, Paris, 12 December 2015, p. 2.

257 Climate Group – Under 2 Coalition, *Our network*, accessed 23 July 2024, <https://www.theclimategroup.org/states-and-regions-under2-coalition>.

258 Climate Group, *Uniting leaders, driving change: Under2 Coalition 2023 Impact Report*, 2023, p. 17.

259 Department of Water and Environmental Regulation, *Western Australian Climate Policy: A plan to position Western Australia for a prosperous and resilient low-carbon future*, November 2020, p. 4.

260 Department of Water and Environmental Regulation, *Shaping Western Australia's low-carbon future: Developing sectoral emissions reduction strategies to transition the economy to net zero*, December 2021, pp. 5-6.

261 Australian Government, *Intergenerational Report 2023: Australia's future to 2063*, 2023, p. 99.

262 *ibid.*, p. 97.

- 3.72 The Committee heard this message throughout its evidence gathering. For example, UnionsWA, WA’s peak body of the trade union movement, noted this section of the 2023 Intergenerational Report in their submission.²⁶³ Further, WA’s Chief Scientist told us that the cost of not reducing emissions and ensuring an equitable energy transition ‘would be disastrous. It would be catastrophic, in my view, if that were to happen’.²⁶⁴
- 3.73 The State Government has recognised this possible economic cost of climate inaction. Citing Deloitte Access Economics’ estimates, the *Climate Adaptation Strategy* states that ‘[w]hile climate change is estimated to cost the nation up to \$1 trillion by 2050, \$380 billion of these costs can be avoided if immediate action is taken to adapt and reduce emissions’.²⁶⁵
- 3.74 In their submission to the Inquiry, DEMIRS summarised this as ‘strong financial imperative to meet the State’s net zero target’.²⁶⁶
- 3.75 These reasons for WA to contribute to global emissions reduction have been consolidated in the Climate Change Bill 2023. In his second reading speech, the Minister for Climate Action stated outright that the State Government recognises the ‘need to contribute to global efforts to combat climate change’ and that decarbonising heavy industry is necessary to deliver state and national commitments for emissions reduction.²⁶⁷
- 3.76 Further, clause 3 of the Bill clearly expresses the need to contribute to global emissions reduction. Subclause (a) states that a purpose of the Bill is ‘to ensure that Western Australia contributes to global efforts to reduce greenhouse gas emissions in alignment with the Paris Agreement’.²⁶⁸ Subclause (e) states another purpose: ‘to ensure that Western Australia takes steps to identify and manage impacts of climate change on Western Australia’s communities, the environment and the economy’.²⁶⁹

Finding 34

Western Australia must contribute to global emissions reduction efforts to avoid environmental, economic and social costs, and to help fulfil Australia’s obligations under the Paris Agreement.

Finding 35

The State Government has demonstrated that it has recognised the need for Western Australia to contribute to global emissions reduction efforts, as is required to achieve the goals of the Paris Agreement, and has begun to implement policies and strategies to achieve this.

²⁶³ Submission 12, UnionsWA, p. 2.

²⁶⁴ Professor Peter Klinken, Chief Scientist of Western Australia, *Transcript of Evidence*, 14 February 2024, p. 11.

²⁶⁵ Department of Water and Environmental Regulation, *Climate Adaptation Strategy: Building WA’s climate resilient future*, July 2023, p. 8.

²⁶⁶ Submission 10, Department of Mines, Industry Regulation and Safety, p. 5.

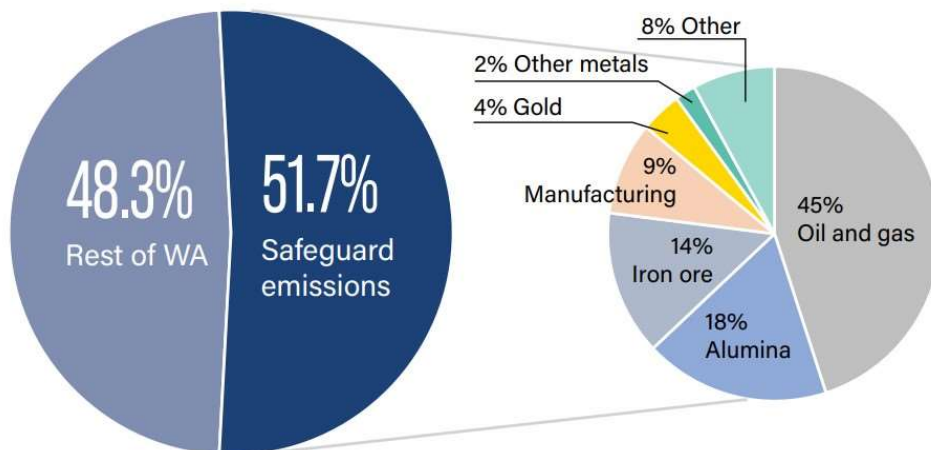
²⁶⁷ Hon Reece Whitby MLA, Minister for Climate Action, Legislative Assembly, *Hansard*, 30 November 2023, p. 6897.

²⁶⁸ Climate Change Bill 2023, cl. 3.

²⁶⁹ *ibid.*

3.77 Achieving emissions reduction to net zero does not just depend on WA’s own emissions reduction frameworks. The SERS identifies that, in 2021, 51.7% of WA’s emissions came from entities covered by the Australian Government’s Safeguard Mechanism (see Figure 3.3 below), and 48.3% were from all other sources.²⁷⁰

Figure 3.3: Contribution of Safeguard facilities to WA emissions in 2021²⁷¹



3.78 The Safeguard Mechanism applies to around 220 facilities across Australia that emit more than 100,000 tonnes of carbon dioxide equivalent in a year. These facilities span the mining, manufacturing, transport, oil, gas and waste sectors. The Safeguard Mechanism requires the covered facilities to deliver a proportion of Australia’s 2030 emissions reduction target to help achieve net zero by 2050.²⁷² Since July 2023, reforms to the Safeguard Mechanism impose declining baselines on covered facilities. This means the net greenhouse emissions of each facility must decrease by 4.9% each year until 2030, after which decline rates will be set in five-year blocks consistent with updates to the NDC.²⁷³ The Australian Government’s Department of Climate Change, Energy, the Environment and Water (DCCEEW) has estimated this will deliver 200 million tonnes of emissions abatement by the end of the decade.²⁷⁴

3.79 Given that just over half of WA’s emissions are covered by this framework, under the SERS, WA’s emissions are expected to significantly reduce as a result.²⁷⁵ The State Government has

270 Department of Water and Environmental Regulation, *Sectoral emissions reduction strategy for Western Australia*, December 2023, p. 13.

271 Note: ‘Other’ primarily comprises rail freight transport, captive power facilities, and emissions associated with gas supply.
Department of Water and Environmental Regulation, *Sectoral emissions reduction strategy for Western Australia*, December 2023, p. 13.

272 Department of Climate Change, Energy, the Environment and Water (Cth), *Safeguard Mechanism*, May 2024, p. 1.

273 *ibid.*, p. 2.

274 *ibid.*, p. 2.

275 Department of Water and Environmental Regulation, *Sectoral emissions reduction strategy for Western Australia*, December 2023, p. 13.

sought assurances that national policy settings will continue to enable the necessary reductions to also realise WA's net zero goal.²⁷⁶

Finding 36

Methods of emissions reduction in the State will be influenced by the Safeguard Mechanism, a Commonwealth regulatory Framework.

Demand for WA's resources may make our emissions reduction pathway different to other jurisdictions

3.80 Over the course of the Inquiry, the Committee heard that WA's wealth of natural resources means certain industries within our state will likely play a significant role in global emissions reduction.

3.81 According to DEMIRS, 'demand for Western Australia's resources is expected to continue to grow, driven by factors including the global transition to a low carbon future'.²⁷⁷ Specifically, critical minerals are considered essential for a low carbon future, and WA is one of the main global suppliers of critical minerals; for example, in 2022, WA produced 47% of the world's lithium, the critical mineral required for large batteries.²⁷⁸

3.82 CSIRO confirmed the growing need for critical minerals, it advised the Committee that:

Global demand for renewable and low emission technologies continues to grow, as does demand for the critical mineral resources required to manufacture these technologies and societal expectations of sustainable resource development.²⁷⁹

3.83 The CME referred to this growing demand, telling us that about twice as much nickel, twice as much copper and around four or five times as much lithium will be required globally in the next decade to produce the technology required to reduce emissions to net zero.²⁸⁰ As a result, 'Western Australia is particularly well positioned and is a critical part of the pathway to net zero'.²⁸¹

3.84 The WA Legislative Assembly's Economics and Industry Standing Committee's (EISC) Inquiry into intergenerational challenges and opportunities for the WA economy to 2041 came to similar conclusions. Its 2022 report found —

WA has competitive advantages in the face of the global challenge of decarbonisation — particularly the capacity to grow the state's renewable energy, hydrogen and future battery industries.

WA has large reserves of the minerals required for green energy production and storage, including lithium, nickel, cobalt, manganese and alumina. This provides

276 Department of Water and Environmental Regulation, *Western Australian Climate Policy: A plan to position Western Australia for a prosperous and resilient low-carbon future*, November 2020, p. 8.

277 Submission 10, Department of Mines, Industry Regulation and Safety, p. 3.

278 *ibid.*

279 Submission 8, CSIRO, p. 2.

280 Rebecca Tomkinson, Chief Executive Officer, The Chamber of Minerals and Energy of WA, *Transcript of Evidence*, 29 November 2023, p. 4.

281 *ibid.*, p. 8.

WA with an opportunity to move beyond the extraction of minerals to contribute to green energy supply chains.²⁸²

- 3.85 The necessity of WA's natural resources to manufacture the tools of the energy transition means demand for these resources will increase. The CME directly stated the result of this increased demand –

It is critical that we do more mining in the next decade than potentially what we have done in the previous one to ensure that we have the raw materials needed for electrification.²⁸³

- 3.86 As a result of this expected increase in mining, the CME advised:

Our emissions for a period of time will go up, not down, because of that level of activity. They will come down, but the process and the timing by which we get there will look different for our state than it will for the broader Australian context, because of the essential role that West Australia plays in decarbonisation globally.²⁸⁴

- 3.87 DWER also recognises that WA's emissions reduction pathway will look different. In their hearing with the Committee, they advised that because WA has a very export-oriented economy and we have a lot of industries whose emissions are harder to abate, the decarbonisation trajectory in WA will be different.²⁸⁵

- 3.88 Despite most of the evidence that we received supporting this narrative, some evidence disputed it. For example, Doctors for the Environment Australia submitted that this was not a helpful narrative for environmental and other ESG outcomes. They stated that:

The continued practice of the government to promote the narrative of 'WA is different' to allow for the continued expansion/extension of gas developments, and damaging prescribed burning, and land clearing practices, have similar outcomes in regards [sic] industry and business 'push' for, or confidence in, financing for regenerative and meaningful ESG outcomes.²⁸⁶

- 3.89 However, this view downplays the role for continued industrial output in helping global decarbonisation. The Climate Council of Australia has noted that producing green steel²⁸⁷ for export to China could reduce global emissions by around 2%.²⁸⁸ Further, it has stated that:

282 Economics and Industry Standing Committee, *Report 3: Intergenerational challenges and opportunities for the Western Australian economy to 2041*, March 2022, p. xvi.

283 Rebecca Tomkinson, Chief Executive Officer, The Chamber of Minerals and Energy of WA, *Transcript of Evidence*, 29 November 2023, p. 8.

284 *ibid.*, p. 4.

285 Emily Briggs, Deputy Director General, Climate and Sustainability, Department of Water and Environmental Regulation, *Transcript of Evidence*, 20 March 2024, p. 4.

286 Submission 18, Doctors for the Environment Australia, p. 10.

287 Green steel is produced using renewable energy and generates few emissions.

288 Climate Council of Australia, *Submission to the Australian Parliament's Joint Standing Committee on Trade and Investment Growth – Inquiry into Australia's transition to a green energy superpower*, November 2022, p. 7.

Recent estimates suggest that by providing clean energy resources the world needs for decarbonisation - and especially by exporting zero-carbon metals to Asia - Australia could help cut global emissions by eight percent.²⁸⁹

- 3.90 Since Australia produced around 1.23% of global emissions in 2021,²⁹⁰ developing these industries could ultimately reduce global emissions more than Australia reducing its net emissions to zero. WA is possibly the best placed jurisdiction to develop these emerging industries and contribute to global decarbonisation.²⁹¹

Finding 37

Western Australia's resources will be necessary for the global energy transition, so demand for them will increase during the transition to net zero emissions. To meet this demand, the State's industrial output may increase. This means our emissions may increase before they decrease, making our likely pathway to net zero different to other Australian jurisdictions.

- 3.91 State Government messaging demonstrates that it also considers WA's resources necessary to enable the energy transition. In his second reading speech for the Climate Change Bill 2023, the Minister for Climate Action reiterated that the net zero transition will present unique challenges for WA, and that the State's resources sector plays an important part in decarbonising our region.²⁹²

- 3.92 In the SERS, this is stated more clearly –

Western Australia's critical minerals are fundamental to the world's clean energy transition, contributing components for EVs, wind turbines, solar panels, electrolyzers, fuel cells and rechargeable batteries.²⁹³

- 3.93 Since both global and local demand for these items is predicted to increase, the SERS notes that the related increase in industrial processing 'may put upward pressure on emissions within Western Australia'.²⁹⁴ It concludes that industry transformation to net zero emissions 'must be understood and considered in the development of transition policies and emissions pathways'.²⁹⁵

289 Climate Council of Australia, *Submission to the Australian Parliament's Joint Standing Committee on Trade and Investment Growth – Inquiry into Australia's transition to a green energy superpower*, November 2022, p. 7.

290 Climate Watch, *Australia*, nd, accessed 9 July 2024, https://www.climatewatchdata.org/countries/AUS?end_year=2021&source=Climate%20Watch&start_year=1990.

291 Professor Peter Klincken, Chief Scientist of Western Australia, *Transcript of Evidence*, 14 February 2024, p. 7.

292 Hon Reece Whitby MLA, Minister for Climate Action, Legislative Assembly, *Hansard*, 30 November 2023, pp. 6897-6898.

293 Department of Water and Environmental Regulation, *Sectoral emissions reduction strategy for Western Australia*, December 2023, p. 9.

294 *ibid.*

295 *ibid.*

Finding 38

The State Government has acknowledged that Western Australia will likely have a different pathway to net zero emissions; emissions are likely to increase before they decrease.

The emissions reduction pathway must be credible and transparent to continue attracting international investors

- 3.94 As discussed previously, the Committee heard that environmental factors are the most important ESG outcome in relation to securing international investment, and that the pathway to net zero is widely considered the most important environmental factor. This section covers what we heard was the most effective means of ensuring a positive investment response to net zero planning, given that WA’s decarbonisation pathway will likely be different to other Australian jurisdictions.
- 3.95 The CME explained the multiple moving parts in the transition to net zero emissions. They said that the picture of the transition is different for everyone, that the whole world is working towards net zero at the same time, and there are resource and other constraints.²⁹⁶ Further, they explained that the energy transition will require collaboration of governments, industry and the community, and that actions of one group will affect and influence actions of another.²⁹⁷ According to the CME, since ‘there is an absolute expectation that we all achieve 2030 [targets] and 2050 [targets]... the collaboration, the visibility, the time framing, the accountability is critical to that achievement’.²⁹⁸
- 3.96 To do that, the CME explained that ‘[w]e need to be transparent around the timeliness and deliverables, and ensure that we are keeping everyone informed around what the progress towards those objectives are’.²⁹⁹
- 3.97 The Chief Scientist agreed that the pathway to net zero needs to be open and transparent –
- Each jurisdiction has its opportunities and challenges. It is as simple as that. You have to play to what your strengths are and address the challenges that you have. You just cannot avoid that. Can we do exactly the same as Victoria? No. We are a different beast. I think we should be open and honest and explain what our opportunities are, what our challenges are and how we are going to address things.³⁰⁰
- 3.98 The Committee heard similar comments from entities in other states that emissions reduction measures in WA must take into account our context, and that there must be an established roadmap for these measures.³⁰¹ NSW Treasury similarly stated that WA’s emissions reduction pathway should be considered in the context of WA’s situation, and that

296 Rebecca Tomkinson, Chief Executive Officer, The Chamber of Minerals and Energy of WA, *Transcript of Evidence*, 29 November 2023, p. 3.

297 *ibid.*

298 *ibid.*

299 *ibid.*

300 Professor Peter Klinken, Chief Scientist of Western Australia, *Transcript of Evidence*, 14 February 2024, p. 6.

301 Closed briefing.

there is a need for transparency about the plan for emissions reduction, and on the progress to achieving the relevant goals.³⁰²

3.99 Beyond reasons for an open, honest emissions reduction pathway, such as enabling cross-sector collaboration and informing community interest, the Committee heard that transparency is required to maintain attractiveness for investment. For example, we heard that because of our strong mining industry and its inherent implications for emissions, having a predictable, stable and open environment is the best way to ensure investor confidence in WA.³⁰³ As one entity put it, ‘you don’t have to be perfect, but you do have to be open and transparent’.³⁰⁴

3.100 UnionsWA agreed, submitting that –

The requirements for transparency and accountability in exercising diligence over supply chains for WA projects, should not be seen as a ‘cost’ of doing business in WA, rather it will enhance WA’s commitment to ESG principles, and thus make it a more attractive place for global sustainable investments.³⁰⁵

3.101 The CME also agreed with this assessment, stating that ‘investment and capital requires that transparency to be able to see what the plan is for our state, and the why of that’.³⁰⁶ In a further briefing, we heard that investor flows will align with credible government policy, so credible net zero-aligned Australian and international policies are required for investor flows to align with net zero. The higher the uncertainty about future policy, the greater the incentives to delay investment.³⁰⁷

3.102 This evidence echoes the EISC Inquiry into intergenerational challenges and opportunities for the WA economy to 2041, which found that ‘[p]roviding confidence to investors and trade partners that WA has identified pathways to achieve its decarbonisation ambitions will secure investment in future industries’.³⁰⁸

Finding 39

To continue to attract investment, Western Australia must outline an open, transparent pathway to net zero emissions which considers its industrial load and how its decarbonisation pathway will likely be different to other Australian jurisdictions.

The role of emissions reduction targets in a transparent decarbonisation pathway

3.103 While the Committee heard overwhelming evidence that a transparent pathway to net zero was key to securing international investment, we heard varying views regarding the role of specific interim emissions reduction targets to achieve this pathway.

302 Alison Weaver, Director, Sustainable Finance, NSW Treasury, *Briefing*, 25 October 2023.

303 Closed briefing.

304 Closed briefing.

305 Submission 12, UnionsWA, p. 12.

306 Rebecca Tomkinson, Chief Executive Officer, The Chamber of Minerals and Energy of WA, *Transcript of Evidence*, 29 November 2023, p. 4.

307 Closed briefing.

308 Economics and Industry Standing Committee, *Report 3: Intergenerational challenges and opportunities for the Western Australian economy to 2041*, March 2022, p. xvii.

3.104 The Chief Scientist explained that without emissions reductions targets, investors would not be able to judge if decarbonisation measures were legitimate when he stated –

In the absence of targets, people are going, “That’s a very glossy brochure that you have put out there. Thanks very much, but we do not really have the confidence that you are taking the active steps to get to that point”.³⁰⁹

He continued by adding, ‘[e]verybody has to accept that this is the new normal otherwise you are just not going to get investment’.³¹⁰

3.105 Professor Peter Newman agreed. He indicated that, in relation to investment, ‘[t]he targets are not to try and make it harder and it is going to cost more and all of that; it is actually the opposite’.³¹¹ He argued that targets can drive economic gains rather than losses because they can show investors real progress towards decarbonisation.³¹²

3.106 While conducting investigative travel, the Committee heard from the Treasury Corporation of Victoria that emissions reduction targets are important because it is critical that investors understand the environmental risk profile of entities they invest in.³¹³ In other words, targets are important because investors are looking for information on what progress has been made against, for example, decarbonisation commitments.³¹⁴ Other Victorian public service officers agreed, commenting that to gain investor confidence, targets must be talked about and quantified.³¹⁵

3.107 However, the Committee heard other opinions that did not place the same weight on targets provided the decarbonisation pathway was open and honest. The CME told us their interest was in a ‘clear roadmap’ from the State Government, and that this would ensure their members could reach national, and their own, emissions reduction targets.³¹⁶ But they did not clearly support WA-specific targets as a part of this, and only reiterated the need for alignment with federal policy settings, and for transparency.³¹⁷

3.108 DWER offered a different perspective on the relationship between targets, an open emissions reduction pathway, and secure international investment. In the hearing with the Committee, the Deputy Director General, Climate and Sustainability explained that while the targets provide the transition pathway to net zero emissions, ‘investor interest is in the transition pathway, the transition strategy, the detail, the meat that sits on the bones’.³¹⁸ In

309 Professor Peter Klincken, Chief Scientist of Western Australia, *Transcript of Evidence*, 14 February 2024, p. 3.

310 *ibid.*

311 Professor Peter Newman, John Curtin Distinguished Professor of Sustainability, Curtin University, *Transcript of Evidence*, 11 March 2024, p. 6.

312 *ibid.*

313 Michael Larkin, Chief Executive Officer and Managing Director, Treasury Corporation of Victoria, *Briefing*, 23 October 2023.

314 *ibid.*

315 Closed briefing.

316 Rebecca Tomkinson, Chief Executive Officer, The Chamber of Minerals and Energy of WA, *Transcript of Evidence*, 29 November 2023, p. 3.

317 *ibid.*

318 Emily Briggs, Deputy Director General, Climate and Sustainability, Department of Water and Environmental Conservation, *Transcript of Evidence*, 20 March 2024, p. 4.

other words, targets are important, ‘but we are seeing increasingly globally there is more focus on that strategy and transparency that sits behind it’.³¹⁹

Finding 40

The Committee heard that while emissions reduction targets are important, providing an open and honest emissions reduction pathway was more important for attracting international investment.

State Government and the decarbonisation pathway

- 3.109 During our evidence gathering, it was made clear to the Committee that while ‘global capital has driven decarbonisation and net zero at a faster rate than government policy’³²⁰, government still has a role in outlining a transparent decarbonisation pathway that will secure international investment into the future.³²¹
- 3.110 WA Treasury told us that the State Government’s role in the pathway to net zero emissions is to set the regulatory environment, set standards and look at opportunities to strengthen investment.³²² In other words, the Government should –
- [M]ake sure the state generally is seen as a good place to invest and that the State is selling its ESG credentials to be an attractive place to come and invest and create jobs and economic growth.³²³
- 3.111 At a briefing with Queensland Treasury and Queensland Treasury Corporation, we heard that all states have different approaches to the emissions reduction pathway, so the story the community hears needs to be specific to the jurisdiction.³²⁴ In other words, as the WA Chief Scientist told us, ‘[g]overnment can actually make the call on how it wants to make this happen’.³²⁵
- 3.112 The State Government has recognised possible consequences of not responding to investor demand in decarbonisation. The precursor document to the SERS stated that –
- The risks of not moving quickly are also becoming increasingly apparent, as frameworks for international trade and global finance move to penalise carbon-intensive economies, businesses and sectors.

319 Emily Briggs, Deputy Director General, Climate and Sustainability, Department of Water and Environmental Conservation, *Transcript of Evidence*, 20 March 2024, p. 4.

320 Alistair Jones, Director General, Department of Water and Environmental Regulation, *Transcript of Evidence*, 20 March 2024, p. 5.

321 For example, Richard Watson, Assistant Under Treasurer, Agency Budgeting and Governance, Department of Treasury, *Transcript of Evidence*, 18 March 2024, p. 7; Michael Court, Deputy Under Treasurer, Department of Treasury, *Transcript of Evidence*, 18 March 2024, p. 7.

322 Michael Court, Deputy Under Treasurer and Richard Watson, Assistant Under Treasurer, Agency Budgeting and Governance, Department of Treasury, *Transcript of Evidence*, 18 March 2024, p. 7.

323 Michael Court, Deputy Under Treasurer, Department of Treasury, *Transcript of Evidence*, 18 March 2024, p. 7.

324 Susan Buckley, Managing Director, Funding and Markets, Queensland Treasury Corporation, *Briefing*, 27 October 2023.

325 Professor Peter Klinken, Chief Scientist of Western Australia, *Transcript of Evidence*, 14 February 2024, p. 8.

It is critical that Western Australia carves out a space in the low-carbon future, with the opportunities for our state being both substantial and unique.³²⁶

3.113 However, until the introduction of the Climate Change Bill in November 2023, State Government messaging was minimal in relation to setting a credible, open emissions reduction pathway to ensure investor interest. For example, the WA Climate Policy only references the need to consider the impacts of the State's decarbonisation pathway³²⁷, and the SERS only identifies that –

Clear and committed government policies, along with effective planning and coordination, are required to support investor confidence, and ensure Western Australia can continue to attract the investment and talent required for the net zero transition.³²⁸

Neither document specifically comments on the importance of transparency in the decarbonisation pathway or the relationship between transparency and securing international investment.

3.114 The Climate Change Bill 2023 states that the purpose of the Act would be to provide for Western Australia's emissions reduction targets and 'support the reduction of net emissions attributable to Western Australia consistently with those targets'.³²⁹ Further, by introducing the Bill, the State Government intends to provide a legislative framework that promotes transparency and accountability, provides certainty for business and encourages investment in industries etc required for the transition to net zero emissions.³³⁰

3.115 As discussed earlier in this Chapter, the Bill contains a range of transparency provisions, including the required tabling of a number of documents in both Houses of Parliament. Comments made by the Minister for Climate Action during his second reading speech on the Bill explain the reasoning and purpose behind these provisions. Firstly, he stated that:

This government recognises that legislated targets, along with credible and predictable policy settings, are the best way to mobilise the capital required for the net zero transition.³³¹

3.116 The Minister went on to mention transparency around the targets and related policies and strategies, including current ones –

The provisions of this bill will ensure that important milestones such as the SERS are part of a transparent cycle of policy development and review. [...] no single

326 Department of Water and Environmental Regulation, *Shaping Western Australia's low-carbon future: Developing sectoral emissions reduction strategies to transition the economy to net zero*, December 2021, p. 7.

327 Department of Water and Environmental Regulation, *Western Australian Climate Policy: A plan to position Western Australia for a prosperous and resilient low-carbon future*, November 2020, p. 9.

328 Department of Water and Environmental Regulation, *Sectoral emissions reduction strategy for Western Australia*, December 2023, p. 10.

329 Climate Change Bill 2023, cl 3.

330 *ibid.*

331 Hon Reece Whitby MLA, Minister for Climate Action, Legislative Assembly, *Hansard*, 30 November 2023, p. 6897.

strategy or action plan can address the many complex issues and policy challenges presented by our changing climate and the imperative of achieving net zero emissions. What is needed is an ongoing, unwavering commitment to action. This legislation will deliver that commitment...It will ensure that action and accountability on climate change extends beyond me and beyond this government. It will ensure Western Australia's goal of net zero emissions, announced in August 2019, is enshrined in law, with robust provisions to ensure that targets are met and that the Western Australian Parliament and the community are regularly informed on progress.³³²

3.117 Finally, the Minister advised that the Bill will send a signal 'to business and investors seeking certainty for critical investments'.³³³

3.118 DWER, the leading agency in the Bill's development, reiterated this during their hearing with the Committee when they stated –

What we observe in other jurisdictions is that the climate legislation has been a really pivotal moment that has provided that certainty. What we know from investors is what they are looking for is that certainty around policy direction.³³⁴

3.119 In this way, the Bill demonstrates that the State Government has chosen legislated emissions reduction targets as the overarching framework to outline the decarbonisation pathway. The targets intend to guide the related strategies, plans, and the annual climate change report. The State Government contends that tabling provisions for these targets, and related documents, will provide adequate transparency and accountability on climate action to secure international investment into the future.

Finding 41

The State Government has recognised the need for an open, transparent pathway to net zero emissions to continue attracting international investment. Legislated provisions for emissions reduction targets have a primary role in this pathway, along with related strategies, plans and an annual climate change report. As of July 2024, this is proposed by the Climate Change Bill 2023.

Emissions reduction commitments must be followed by action

3.120 As discussed, the Committee heard that committing to reduce emissions to net zero and ensuring transparency and accountability in this process is critical to attracting international investment. However, a transparent decarbonisation pathway will not have true substance or assist in securing investment if its commitments are not carried out. As Professor Peter Newman told us, this may be difficult, but '[i]f you do not do this properly, you will not unlock the money that enables our economies to grow'.³³⁵ The Committee heard that to

332 Hon Reece Whitby MLA, Minister for Climate Action, Legislative Assembly, *Hansard*, 30 November 2023, pp. 6898-6899.

333 *ibid.*

334 Emily Briggs, Deputy Director General, Climate and Sustainability, Department of Water and Environmental Regulation, *Transcript of Evidence*, 20 March 2024, p. 19.

335 Professor Peter Newman, John Curtin Distinguished Professor of Sustainability, Curtin University, *Transcript of Evidence*, 11 March 2024, p. 7.

- appeal to investors, not only does the decarbonisation pathway need to be clear, but the State needs to be demonstrably moving down that pathway.³³⁶ As one contributor put it, 'we suggest that you don't make any commitments, saying you will go down a certain pathway, if you will not be able to follow through – as that will undermine investor confidence'.³³⁷
- 3.121 WA Treasury also warned that there is a risk of a possible 'cost of inaction' in the future if 'jurisdictions fail to commit to interim targets or do not make credible progress towards achieving such targets'.³³⁸
- 3.122 During our evidence gathering, we heard multiple references to a situation where WA did lose out on international investment for failing to respond to investor demand for climate action.³³⁹ In November 2019, Sweden's central bank, the Riksbank, sold holdings of bonds issued by WA because of our 'large climate impact'.³⁴⁰ At the time, WA had announced its net zero target, but most of WA's climate-related policies and strategies had not yet been released. Such climate policies and related strategies had been released in many other jurisdictions,³⁴¹ demonstrating the consequences for investment of failing to act in an area where there is market demand for action.
- 3.123 Ensuring progress towards commitments in the decarbonisation pathway is particularly important given recent media coverage has brought WA's emissions reduction measures further into public view. In one recent ABC article, the author stated the ABC had obtained a government-commissioned climate modelling report which found that, based on current policies and industry plans, WA will not reach its 2050 net zero target.³⁴² The Committee considers that improved transparency about our state's net zero pathway will help avoid this kind of potentially damaging news, and will motivate action to achieve milestones in the decarbonisation pathway.
- 3.124 As the Green Building Council of Australia submitted, governments have a critical role to play in overcoming barriers and accelerating industry action towards decarbonisation.³⁴³ The State Government has recognised its role,³⁴⁴ and has recognised the risks of not moving where there is investor demand. The Committee considers that the State Government now

336 Closed briefing.

337 Closed briefing.

338 Submission 9, Department of Treasury (WA) and Western Australian Treasury Corporation, p. 9.

339 For example, Submission 16, The Chamber of Minerals and Energy of WA, p. 4; Professor Peter Newman, John Curtin Distinguished Professor of Sustainability, *Transcript of Evidence*, 11 March 2024, p. 4.

340 Sveriges Riksbank, *Flodén: Riksbank selling bonds for climate reasons*, media release, 13 November 2019, accessible from <https://www.riksbank.se/en-gb/press-and-published/speeches-and-presentations/2019/floden-riksbank-selling-bonds-for-climate-reasons>.

341 See Climate Change Laws of the world: search over 5000 laws and policies worldwide, nd, accessed 10 July 2024, <https://climate-laws.org/?c=Policies&sf=date&so=asc&y=2015&y=2020&o=50>.

342 Rhiannon Shine, 'WA has no hope of achieving net zero emissions targets by 2050 without radical change, secret government report finds', *ABC* (web-based), 19 May 2024, accessed 9 July 2024, <https://www.abc.net.au/news/2024-05-19/wa-wont-achieve-net-zero-emissions-secret-report-finds/103856966>.

343 Submission 17, Green Building Council of Australia, p. 2.

344 Department of Water and Environmental Regulation, *Sectoral emissions reduction strategy for Western Australia*, December 2023, p. 12.

must continue to deliver what we heard was the most impactful progression towards ESG outcomes in relation to securing international investment: a coordinated, timely energy transition.³⁴⁵

- 3.125 As we have seen, the State Government contends that an open, transparent pathway in the energy transition and the decarbonisation pathway will be provided by the Climate Change Bill 2023, if enacted. While it is expected that the Bill will be debated, passed and assented to in the second half of 2024, the Committee reiterates that it is imperative for the State Government to implement, monitor and review its proposed emissions reduction measures in order for our state to continue to attract international investment.

Finding 42

Western Australia's commitments to emissions reduction pathways to net zero must be met for the State to continue to attract international investment.

Recommendation 2

That the Minister for Climate Action ensures that information and reporting of Western Australia's pathway to net zero emissions is transparent and open to ensure investor confidence.

345 For example: Submission 16, The Chamber of Minerals and Energy of WA, p. 2.

Chapter 4

Measuring and reporting climate-related risk

In order to reach the goals of the Paris Agreement we need to take forceful action – this includes action from corporations and the private sector at large. Climate-related disclosures and the TCFD recommendations help companies consider the impact of climate change and associated mitigation efforts on their strategies and operations. A company that communicates its climate resiliency to its investors will have a competitive advantage over those that don't.

Mary Schapiro, Head of the TCFD Secretariat, February 2021.

Task Force on Climate-related Financial Disclosures

- 4.1 As the understanding of possible environmental consequences of climate change have evolved, so too has the awareness of potential financial risks. In response, financial market participants began demanding increased access to comparable, consistent and reliable risk information from organisations, including for climate-related risk,³⁴⁶ to avoid any misallocation of funding that may ultimately affect market stability.³⁴⁷ However, the lack of a standardised climate-related disclosures framework made it difficult not only for organisations to determine what information to report, but also for investors, lenders, insurers and other users of disclosures to adequately assess organisations' climate-related risk in their decision-making.³⁴⁸
- 4.2 In recognition of these growing issues, the G20³⁴⁹ Finance Ministers and Central Bank Governors requested the Financial Stability Board³⁵⁰ (FSB) to 'convene public and private sector participants to review how the financial sector can take account of climate-related issues'.³⁵¹ In response, in November 2015 the FSB proposed to establish an industry-led task force to develop a framework for voluntary, consistent climate-related disclosures for organisations that would help lenders, insurers, investors and other stakeholders make more

346 'Climate-related risk' refers to the potential negative effects of climate change on an entity. They are associated with both physical risks (such as those resulting from increased severity of extreme weather) and transition risks (such as those associated with policy action and changes in technology). From IFRS Sustainability, *Project Summary: IFRS Sustainability Disclosure Standards*, June 2023, p. 15.

347 Task Force on Climate-related Financial Disclosures, *Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures*, Basel, June 2017, p. 1.

348 *ibid.*, p. 2.

349 The G20, or Group of 20, comprises the 20 countries with the largest economies in the world. See: G20, *Frequently Asked Questions*, 2024, accessed on 31 July 2024, <https://www.g20.org/en/about-the-g20/faq?activeAccordion=99b80381-adcb-4aa9-92e2-fc0723606786>.

350 The Financial Stability Board (FSB) is an international body that monitors and makes recommendations about the global financial system.

See: FSB, *About the FSB*, 16 November 2020, accessed on 31 July 2024, <https://www.fsb.org/about/>.

351 G20, *Communiqué: G20 Finance Ministers and Central Bank Governors meeting*, media release, April 2015, p. 5, accessible from <http://www.g20.org.tr/wp-content/uploads/2015/04/April-G20-FMCBG-Communiqué-Final.pdf>.

informed financial decisions about these companies.³⁵² A month later during COP21, the FSB announced the establishment of the Task Force on Climate-related Financial Disclosures (TCFD).³⁵³

4.3 In June 2017, the TCFD published four key recommendations that provide a framework for companies and other organisations across the world to develop more standardised, transparent and informative climate-related financial disclosures.³⁵⁴ The recommendations align to key areas of company operation – governance, strategy, risk management and metrics, and are accompanied by 11 recommended disclosures (see Figure 4.1). These disclosures specify what organisations should include in their financial statements to help investors and others understand the organisation’s approach to climate-related risks and opportunities.³⁵⁵

4.4 To inform its final recommendations, the TCFD undertook extensive consultation across the world.³⁵⁶ At the time of publication of its final report in 2017, the TCFD comprised 32 international members, including representatives from banks, insurance companies, asset managers, accounting and consulting funds, credit rating agencies, pension funds and other large non-financial companies.³⁵⁷ Following publication of the recommendations, the TCFD released further guidance and supporting materials, monitored disclosure practices in their alignment with the recommendations and prepared annual status reports on the global TCFD uptake.³⁵⁸

352 Financial Stability Board, *Proposal for a disclosure task force on climate-related risks*, 9 November 2015, p. 4.

353 Financial Stability Board, *FSB to establish Task Force on Climate-related Financial Disclosures*, media release, 4 December 2015, accessible from <https://assets.bbhub.io/company/sites/60/2015/12/12-4-2015-Climate-change-task-force-press-release.pdf>.

354 Task Force on Climate-related Financial Disclosures, *Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures*, Basel, June 2017, pp. 1-2.

355 *ibid.*, p. 13.

356 Task Force on Climate-related Financial Disclosures, *2023 Status Report*, Basel, October 2023, p. 110.

357 Task Force on Climate-related Financial Disclosures, *Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures*, Basel, 15 June 2017, p. 3.

358 Task Force on Climate-related Financial Disclosures, *2023 Status Report*, Basel, October 2023, p. 112.

Table 4.1: Task Force on Climate-related Financial Disclosures – Recommendations

TCFD Recommendation	Recommended disclosures
Governance Disclose the organisation’s governance around climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. b) Describe the impact of climate-related risks and opportunities on the organisation’s business, strategy, and financial planning. c) Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning where such information is material.	a) Describe the organisation’s processes for identifying and assessing climate-related risks. b) Describe the organisation’s processes for managing climate-related risks. c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation’s overall risk management.
Risk management Disclose how the organisation identifies, assesses, and manages climate-related risks.	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. b) Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. b) Describe the impact of climate-related risks and opportunities on the organisation’s business, strategy, and financial planning. c) Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

4.5 The TCFD published annual status reports and, concurrent with the release of its 2023 Status Report in October 2023, the TCFD fulfilled its remit and disbanded. The IFRS Foundation will take over monitoring progress of companies’ climate-related disclosures.³⁵⁹

4.6 According to its 2023 Report, the TCFD recommendations have been a key driver of greater consistency among major climate-related disclosure regimes that existed when the Task Force was created, as well as among climate-related disclosure requirements and standards that have been developed more recently.³⁶⁰ Several governments, regulators, and standard setters have incorporated or drawn from the TCFD recommendations in developing climate-related reporting requirements and standards.³⁶¹

359 Task Force on Climate-related Financial Disclosures, *Task force on climate-related financial disclosures*, 2024, accessed 31 July 2024, <https://www.fsb-tcf.org/>.

360 Task Force on Climate-related Financial Disclosures, *Task force on climate-related financial disclosures – 2023 Status Report*, Basel, September 2023, p. ii.

361 *ibid.*

Finding 43

The Task Force on Climate-Related Financial Disclosures is a global, voluntary climate-related financial risk and opportunity management framework for financial institutions and other businesses.

Finding 44

Several governments, regulators and standard setters have incorporated or drawn from the Task Force on Climate-related Financial Disclosures' recommendations in developing climate-related reporting requirements and standards.

Finding 45

Concurrent with the release of its 2023 Status Report in October 2023, the Task Force on Climate-related Financial Disclosures fulfilled its remit and disbanded.

International sustainability standards

- 4.7 Existing frameworks marked an important start in sustainability reporting, but by 2021, improved modelling on possible climate impacts to the financial system meant both investors and organisations considered it more urgent to formalise corporate sustainability disclosures.³⁶² Further, as sustainability factors had been increasingly considered 'a mainstream part of investment decision-making', it became more important not only to formalise but also to consolidate the range of existing standards to avoid adding extra cost to both organisations and investors.³⁶³
- 4.8 In November 2021, the International Sustainability Standards Board (ISSB) was established by the IFRS Foundation to respond to these needs by developing comprehensive baseline global sustainability standards, including for climate disclosure, that build on the work of the TCFD.³⁶⁴ The ISSB standards aim to 'address the fragmented landscape of voluntary, sustainability-related standards and requirements that add cost, complexity and risk to both companies and investors'.³⁶⁵
- 4.9 In June 2023, the ISSB issued its inaugural standards, IFRS S1 and IFRS S2. Together these standards are intended to provide a 'global baseline' for sustainability disclosures that will improve confidence in organisations' disclosures so investors and other users can better inform their investment decisions.³⁶⁶ The two standards are summarised below:

362 IFRS Foundation, *IFRS Foundation announces International Sustainability Standards Board, consolidation with CDSB and VRF, and publication of prototype disclosure requirements*, 3 November 2021, accessed 7 June 2024, <https://www.ifrs.org/news-and-events/news/2021/11/ifrs-foundation-announces-issb-consolidation-with-cdsb-vrf-publication-of-prototypes/>.

363 IFRS Foundation, *International Sustainability Standards Board*, accessed 7 June 2024, <https://www.ifrs.org/groups/international-sustainability-standards-board/>.

364 IFRS Foundation, *Global sustainability disclosure standards for the financial markets*, 3 November 2021, accessed 7 June 2024, <https://www.ifrs.org/news-and-events/news/2021/11/global-sustainability-disclosure-standards-for-the-financial-markets/>.

365 Submission 15, Beck James, p. 1.

366 IFRS Foundation, *ISSB issues inaugural global sustainability disclosure standards*, 26 June 2023, accessed 6 June 2024, <https://www.ifrs.org/news-and-events/news/2023/06/issb-issues-ifrs-s1-ifrs-s2/>.

- **IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information**
 - Sets out overarching requirements for disclosures about all sustainability-related risks and opportunities of an organisation that could reasonably be expected to affect their financial position.³⁶⁷
 - Establishes the conceptual foundations of sustainability-related financial disclosure.³⁶⁸
 - **IFRS S2: Climate-related Disclosures**
 - Requires organisations to disclose information about climate-related risks and opportunities of an organisation that could reasonably be expected to affect their financial position.³⁶⁹
 - Builds on and is expected to be used with IFRS S1.³⁷⁰
- 4.10 Both standards require disclosures about organisations’ governance, strategy and risk management, as well as metrics and targets relating to risks and opportunities. These disclosure categories are consistent with the TCFD recommendations, and IFRS S1 builds on them by extending the disclosures beyond climate-related risks and opportunities.³⁷¹ The standards state what content is required, and how it should be presented, for inclusion with financial statements in the same reporting package (e.g. within an annual report).³⁷²
- 4.11 IFRS S1 and IFRS S2 are effective for reporting periods starting on or after 1 January 2024, but their application is voluntary. Jurisdictions may choose whether to mandate application of the standards or instead propose adaptation to account for national circumstances.³⁷³ The standards must be applied together, but the ISSB has stated that in the first year of reporting, organisations may limit disclosures to climate-related risks only.³⁷⁴
- 4.12 In creating the standards, the ISSB set out four objectives:
- To be a ‘global baseline’ for disclosures,
 - To meet the information needs of investors,
 - To enable companies to provide comprehensive information,

367 IFRS Foundation, *IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information*, 2023, accessed 7 June 2024, <https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s1-general-requirements.html/content/dam/ifrs/publications/html-standards-issb/english/2023/issued/issbs1/#news>.

368 IFRS Foundation, *ISSB: Frequently Asked Questions*, accessed 7 June 2024, <https://www.ifrs.org/groups/international-sustainability-standards-board/issb-frequently-asked-questions/>.

369 IFRS Foundation, *IFRS S2 Climate-related disclosures*, 2023, accessed 7 June 2024, <https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s2-climate-related-disclosures/>.

370 IFRS Foundation, *ISSB: Frequently Asked Questions*, accessed 7 June 2024, <https://www.ifrs.org/groups/international-sustainability-standards-board/issb-frequently-asked-questions/>.

371 IFRS Foundation, *Project Summary: IFRS Sustainability Disclosure Standards*, June 2023, pp. 9-10.

372 *ibid.*, pp. 15-16.

373 *ibid.*, p. 2.

374 *ibid.*, p. 2.

- To facilitate interoperability with jurisdiction or stakeholder-group requirements.³⁷⁵
- 4.13 Since the release of IFRS S1 and IFRS S2, the ISSB continues to support jurisdictions and organisations in adopting the standards. Forums have been held and information guides created to facilitate uptake.³⁷⁶ To date, there has been a largely positive global response to the release of the ISSB standards. Many jurisdictions have applied, adopted or otherwise used them in their legal or regulatory frameworks. In May 2024, the IFRS Foundation reported this number comprised more than 20 jurisdictions who account for almost 55% of global GDP and more than half of global greenhouse gas emissions.³⁷⁷

Finding 46

In creating the standards, IFRS 1 and IFRS 2, the International Sustainability Standards Board set out four objectives:

- To be a ‘global baseline’ for disclosures,
- To meet the information needs of investors,
- To enable companies to provide comprehensive information,
- To facilitate interoperability with jurisdiction or stakeholder-group requirements.

Mandatory climate-related financial disclosures in Australia

- 4.14 The Australian Government ‘endorses full adoption of the ISSB’s *IFRS S2 Climate-related Disclosures* standard’ with fit-for-purpose modifications for the Australian context.³⁷⁸ Further, it ‘supports adoption of ISSB’s *IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information*’.³⁷⁹
- 4.15 The Australian Government is committed to –
- [I]mproving the quality of climate-related financial disclosures, providing Australians and investors with greater transparency and more comparable information about an entity’s exposure to climate-related financial risks and opportunities and climate-related plans and strategies.³⁸⁰
- 4.16 Adopting internationally aligned climate-related financial disclosures will bring Australia in line with other jurisdictions, including ‘the EU, UK, New Zealand and Japan’ and will ‘help draw the investment required for the transition to net zero’.³⁸¹

375 IFRS Foundation, *International Sustainability Standards Board*, accessed 7 June 2024, <https://www.ifrs.org/groups/international-sustainability-standards-board/>.

376 IFRS Foundation, *ISSB: Frequently Asked Questions*, accessed 7 June 2024, <https://www.ifrs.org/groups/international-sustainability-standards-board/issb-frequently-asked-questions/>.

377 IFRS Foundation, *Jurisdictions representing over half of the global economy by GDP take steps towards ISSB Standards*, 28 May 2024, accessed 10 June 2024, <https://www.ifrs.org/news-and-events/news/2024/05/jurisdictions-representing-over-half-the-global-economy-by-gdp-take-steps-towards-issb-standards/>.

378 Treasury (Cth), *Mandatory climate-related financial disclosures: Policy position statement*, December 2023, p. 3.

379 *ibid.*, p. 2.

380 *ibid.*, p. 1.

381 *ibid.*, p. 1.

- 4.17 In December 2023, the Commonwealth Treasury released a policy position statement outlining the Australian Government’s position on the scope of the mandatory climate-related financial disclosures reform, including the entities covered, the reporting and assurance requirements, and the liability framework.³⁸²
- 4.18 According to the policy statement, climate-related financial disclosures will be ‘mandated through amendments to the *Corporations Act 2001* (Cth)’ (Corporations Act) and related legislation.³⁸³ Further, both sustainability and assurance standards will be developed by the Australian Accounting Standards Board (AASB) and the Australian Auditing and Assurance Standards Board (AUASB) respectively.³⁸⁴ Details of the bill proposing to amend the Corporations Act and related acts are discussed later in this Chapter, as are the sustainability standards.

Finding 47

Adopting internationally aligned climate-related financial disclosures will bring Australia in line with other jurisdictions, including the EU, UK, New Zealand and Japan, to help draw the investment required for the transition to net zero.

Reporting entities

- 4.19 Large entities that are currently required to ‘prepare and lodge annual reports under Chapter 2M of the Corporations Act³⁸⁵ will be required to disclose information about climate-related risks and opportunities’ under the mandatory climate-related financial disclosure regime.³⁸⁶ In addition, asset owners with funds under their management of more than \$5 billion will be considered large entities for reporting purposes.³⁸⁷ Finally, where entities are subject to both ‘the annual reporting requirements under the Corporations Act and emissions reporting obligations under the *National Greenhouse and Energy Reporting Act 2007* (NGER Act), they will be required to disclose regardless of size’.³⁸⁸
- 4.20 Small and medium businesses – those below the relevant size thresholds – are exempt from reporting based on the current proposed regime. They will, however, still be impacted by mandatory climate-related financial disclosure requirements because of their role in the supply chain of larger entities.³⁸⁹

382 Treasury (Cth) *Mandatory climate-related financial disclosures: Policy position statement*, December 2023, p. 1

383 *ibid.*

384 *ibid.*

385 Chapter 2M of the Corporations Act relates to financial reports and audit. Linking proposed sustainability reporting requirements to Chapter 2M would ensure that climate-related financial disclosures are reported in the same context as the financial statements for the financial year.

386 Treasury (Cth) *Mandatory climate-related financial disclosures: Policy position statement*, December 2023, p. 1

387 *ibid.*

388 *ibid.*

389 *ibid.*, p. 2.

Finding 48

Small and medium businesses are exempt from mandatory climate-related financial disclosure requirements. However, as suppliers to large entities, they will be impacted once large entities are required to report their Scope 3 emissions.

Phased reporting

- 4.21 There will be a phased approach for entities subject to mandatory climate-related financial disclosure, comprising three groups over four years, as set out in Figure 4.1.

Figure 4.1: Timeline for Group 1, 2, and 3 entities to commence mandatory disclosures³⁹⁰

First annual reporting periods starting on or after	Large entities and their controlled entities meeting at least <u>two of three</u> criteria:			National Greenhouse and Energy Reporting (NGER) Reporters	Asset Owners
	Consolidated revenue	EOFY consolidated gross assets	EOFY employees		
1 July 2024 Group 1	\$500 million or more	\$1 billion or more	500 or more	Above NGER publication threshold	N/A
1 July 2026 Group 2	\$200 million or more	\$500 million or more	250 or more	All other NGER reporters	\$5 billion assets under management or more
1 July 2027 Group 3	\$50 million or more	\$25 million or more	100 or more	N/A	N/A

- 4.22 The first annual reporting period for Group 1 entities will likely commence on 1 January 2025, rather than 1 July 2024 as indicated in Figure 4.1.

Reporting content

- 4.23 Climate-related financial disclosures would be required to include information about an entity's climate-related risks and opportunities, as required by Australian climate disclosure standards (discussed below). This information should include:
- From the first year of reporting – information relating to governance, strategy, risk management and metrics and targets (including Scope 1 and Scope 2 greenhouse gas emissions).
 - From the second year of reporting – Scope 3 emissions (i.e. emissions that occur up or down their supply chain and emissions associated with their financing or investment activities). Note: Scope 3 disclosures would represent information that is available at the reporting date without undue cost or effort.³⁹¹
- 4.24 Entities will be required to publish climate-related financial disclosures within a sustainability report, which will be contained in the entity's annual report.³⁹²

³⁹⁰ Treasury (Cth) *Mandatory climate-related financial disclosures: Policy position statement*, December 2023, p. 2.

³⁹¹ *ibid.*

³⁹² *ibid.*, p. 4.

Finding 49

Reporting Scope 3 emissions will be required from the second year of mandatory climate-related financial disclosure reporting. This includes emissions that occur throughout the supply chain of large entities.

Reporting framework and assurance requirements

- 4.25 Climate disclosures will be subject to ‘similar assurance requirements to those currently in the Corporations Act for financial reports’ with entities required to ‘obtain an assurance report from their financial auditors’.³⁹³ These assurance requirements will be developed by the AUASB in line with ‘the International Auditing and Assurance Standards Board’s final standard’.³⁹⁴

Legislating mandatory climate-related financial disclosures in Australia

- 4.26 In January 2024, following two previous consultation papers in 2022-23, the Australian Government released for consultation its *Climate-related financial disclosure exposure draft legislation*. The exposure draft legislation (similar to a “green bill” in WA) looked to amend parts of the *Australian Securities and Investments Commission Act 2001* and the *Corporations Act 2001* (Cth) to introduce mandatory requirements for large businesses and financial institutions to disclose their climate-related risks and opportunities.³⁹⁵ During the consultation period, which closed on 9 February 2024, Federal Treasury sought views on the exposure draft legislation and accompanying materials.³⁹⁶
- 4.27 Introduced into the House of Representatives on 27 March 2024, the Commonwealth’s Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024 (Treasury Laws Amendment Bill) proposes two separate policy initiatives:
- ‘To strengthen regulatory arrangements for Australia’s financial market infrastructure;
 - To impose mandatory climate-related disclosure obligations on large businesses.’³⁹⁷
- 4.28 The second initiative is of most relevance to our Inquiry and is proposed by Schedule 4 of the Treasury Laws Amendment Bill. Schedule 4 empowers ‘the Australian Accounting Standards Board to issue internationally aligned sustainability reporting standards that large Australian businesses and financial institutions must comply with’.³⁹⁸
- 4.29 The Bill was referred to the Senate Economics Legislation Committee (the Committee) and their report, tabled on 3 May 2024, recommended the Treasury Laws Amendment Bill be

393 Treasury (Cth) *Mandatory climate-related financial disclosures: Policy position statement*, December 2023, p. 4.

394 *ibid.*

395 Treasury (Cth), *Exposure Draft – Treasury Laws Amendment Bill 2024: Climate-related financial disclosure*, accessible from <https://treasury.gov.au/sites/default/files/2024-01/c2024-466491-leg.pdf>.

396 Treasury (Cth), *Climate-related financial disclosure: exposure draft legislation*, January 2024, accessed 30 July 2024, <https://treasury.gov.au/consultation/c2024-466491>.

397 Parliament of Australia Department of Parliamentary Services, ‘Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024’, *Bills Digest*, no. 68, 14 May 2024, p. 1.

398 *ibid.*

passed.³⁹⁹ We noted that the Committee's report included a dissenting report from the two Coalition members. The report included six recommendations relating to the proposed climate-related financial disclosure regime.⁴⁰⁰

- 4.30 The Treasury Laws Amendment Bill passed the House of Representatives on 6 June 2024 and, at the time of writing, was before the Senate, having been introduced on 24 June 2024.⁴⁰¹

Finding 50

If passed, the Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024 (Commonwealth) will introduce mandatory requirements for large businesses and financial institutions to disclose their climate-related risks and opportunities.

Aligning with global warming scenarios

- 4.31 Proposed amendments to the Commonwealth Treasury Laws Amendment Bill currently before the Senate would require public and private entities to disclose against two global warming scenarios:

- 1.5°C above pre-industrial levels;
- One other global warming pathway (e.g. 2°C or 2.5°C).⁴⁰²

- 4.32 The two scenarios are intended to ensure that reporting entities take into account consideration of both climate-related transition risks (associated with lower-than-average global temperature outcomes) and climate-related physical risks (associated with higher-than-average global temperature outcomes).⁴⁰³

Finding 51

Under the Commonwealth's Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024, public and private entities would be required to disclose against two global warming scenarios:

- 1.5°C above pre-industrial levels;
- One other global warming pathway (e.g. 2°C or 2.5°C).

399 Parliament of Australia Department of Parliamentary Services, 'Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024', *Bills Digest*, no. 68, 14 May 2024, p. 1.

400 Economics Legislation Committee (Cth Senate), Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024 [Provisions], May 2024, pp. 45-66.

401 Parliament of Australia, Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024, nd, accessed 30 July 2024, https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bld=r7176.

402 Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024 (Cth), Revised Supplementary Explanatory Memorandum – Amendments to be moved on behalf of the Government, p. 9.

403 *ibid.*, pp. 8-9.

Australian Sustainability Reporting Standards

- 4.33 The Australian Accounting Standards Board (AASB) intends to release a set of sustainability standards that are adapted to Australian requirements. In October 2023, AASB released its *Exposure Draft ED SR1: Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information*. This includes two draft standards.⁴⁰⁴
- **[draft] ASRS 1 General Requirements for Disclosure of Climate-related Financial Information**
Based on *IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information*; but limited to climate-related financial disclosure.
 - **[draft] ASRS 2 Climate-related Financial Disclosures**
Based on *IFRS S2 Climate-related Disclosures*, with Australian-specific requirements.
- 4.34 The draft ASRS 1 and draft ASRS 2 are aligned to the ISSB standards and build on the global baseline for investor-focused sustainability reporting in Australia – with a climate-first approach. The differences to the ISSB Standards are small and specific to the Australian context and Australian regulations.⁴⁰⁵
- 4.35 In response to the exposure draft standards, the AASB received extensive stakeholder feedback, including 289 survey responses and 117 comment letters.⁴⁰⁶ The stakeholders strongly encouraged ‘greater alignment with the ISSB’s IFRS S1 and IFRS S2 baseline’.⁴⁰⁷ While finalising these standards is listed as a priority for the AASB, following the July 2024 Board meeting, a decision about issuing final standards had not been made and climate-related financial disclosure is listed as an agenda item for the August 2024 meeting.⁴⁰⁸
- 4.36 Initially, the focus of the AASB sustainability standards was the for-profit sector, however the Board has indicated that it is considering including the not-for-profit sector as well.⁴⁰⁹ Further, the AASB intends to investigate developing guidance to assist non-for-profit public sector entities apply the ASRS 2 by considering the forthcoming International Public Sector Accounting Standards Board’s exposure draft of climate-related disclosures.⁴¹⁰

Finding 52

In October 2023, the Australian Accounting Standards Board released two draft Australian sustainability reporting standards for public consultation.

404 Australian Accounting Standards Board, *AASB Sustainability Reporting Exposure Draft: Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information*, October 2023, pp. 19 and 51.

405 KPMG Australia, *AASB releases exposure draft on climate reporting*, 25 October 2023, accessed 30 July 2024, <https://kpmg.com/au/en/home/insights/2023/10/23ru-13-aasb-releases-climate-reporting-exposure-draft.html>.

406 Australian Accounting Standards Board, *Climate Disclosures Consultation Update*, nd, p. 1.

407 *ibid.*, p. 2.

408 Australian Accounting Standards Board, *AASB Action Alert: Issue No. 33*, 23 July 2024, pp. 3-4.

409 Submission 9, Department of Treasury (WA) and Western Australian Treasury Corporation, p. 7.

410 Australian Accounting Standards Board, *AASB Action Alert: Issue No. 33*, 23 July 2024, pp. 3-4.

Finding 53

Stakeholder feedback on the Australian Accounting Standards Board draft standards suggests the need for greater alignment with the International Sustainability Standards Board's standards.

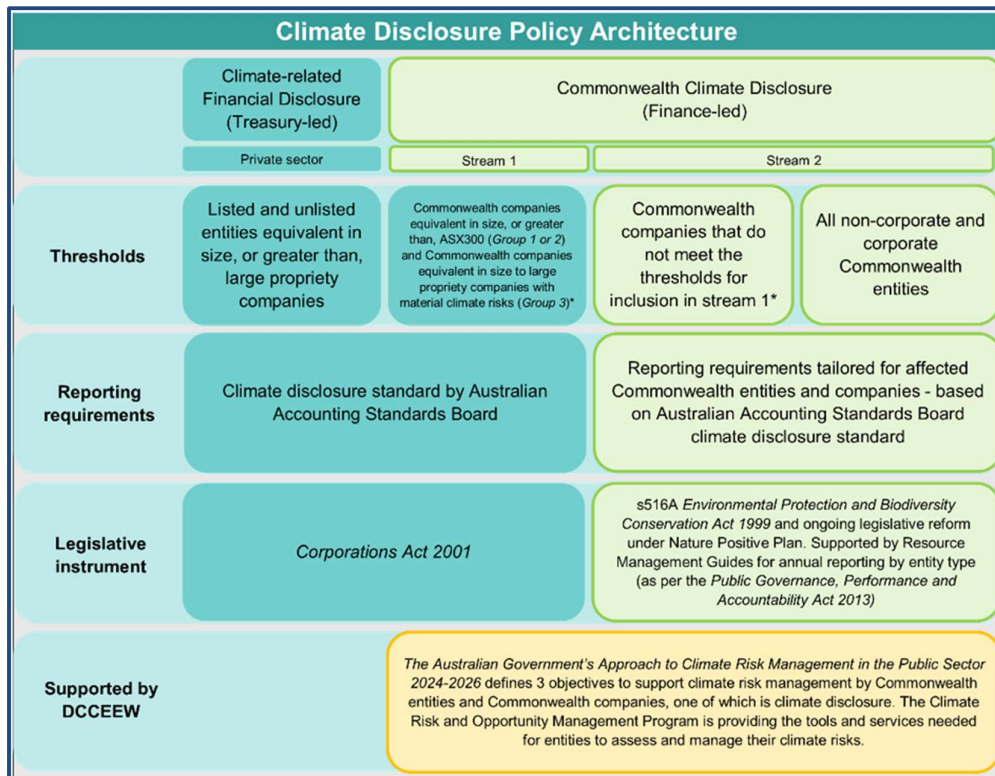
Mandatory public disclosures for Commonwealth entities and companies

- 4.37 In addition to the mandatory climate-related financial disclosures discussed above, the Australian Government, through the Commonwealth Department of Finance, has committed to developing mandatory public disclosures for Commonwealth entities and companies (including Commonwealth departments).⁴¹¹
- 4.38 The objectives of Commonwealth public sector disclosures are to:
- Help these organisations prepare for and respond to the changing climate;
 - Support the delivery of Australia's emissions reductions targets under the Paris Agreement and the Government's Australian Public Sector (APS) Net Zero by 2030 target;
 - Provide greater transparency, accountability and credibility in the way climate risks are managed across the Commonwealth public sector.⁴¹²
- 4.39 According to the Commonwealth Climate Disclosure Policy, there will be two streams of disclosure requirement. Eventually all Commonwealth entities and Commonwealth companies will be required to complete climate disclosures, as outlined in Figure 4.2.

411 Department of Finance (Cth), *Commonwealth Climate Disclosure Policy*, 27 March 2024, accessed 30 July 2024, <https://www.finance.gov.au/government/climate-action-government-operations/commonwealth-climate-disclosure-policy#verification-and-assurance>.

412 *ibid.*

Figure 4.2: Climate Disclosure Policy Architecture⁴¹³



- 4.40 Stream 1 includes Commonwealth companies that ‘meet the proposed thresholds for inclusion in the mandatory climate-related financial disclosure reform for Australia's large businesses and financial institutions’.⁴¹⁴ There are currently at least five Commonwealth companies in this stream.⁴¹⁵
- 4.41 Stream 2 includes every other Commonwealth entity or company.⁴¹⁶ It is proposed that commencement of climate disclosure for Stream 2 entities will be phased in over four years, with the first tranche required to commence publishing disclosures in their 2023-24 annual reports as part of the Commonwealth Climate Disclosure Pilot.⁴¹⁷
- 4.42 Climate disclosure requirements for Stream 2 entities and companies are being developed by the Commonwealth Department of Finance. They will align with the ISSB and the AASB requirements, but they will be tailored to ‘account for the differences in the structure, objectives and functions of Commonwealth entities and companies’.⁴¹⁸

413 Department of Finance (Cth), *Commonwealth Climate Disclosure Policy*, 27 March 2024, accessed 30 July 2024, <https://www.finance.gov.au/government/climate-action-government-operations/commonwealth-climate-disclosure-policy#verification-and-assurance>.

414 *ibid.*

415 *ibid.*

416 *ibid.*

417 *ibid.*

418 *ibid.*

- 4.43 Verification and assurance will be designed by the Department of Finance (the Department) in consultation with the Australian National Audit Office. The Department will be responsible for annual monitoring of entities' compliance.⁴¹⁹

What is happening in Western Australia?

- 4.44 Under the *Western Australian Climate Policy* (see Chapter 3) the State Government committed to developing a climate risk framework to 'monitor, assess and report on implications of climate change on the State's finances, infrastructure, physical assets and service delivery'.⁴²⁰ This development has been led by the Department of Treasury (WA Treasury) and the Department of Water and Environmental Regulation (DWER).⁴²¹
- 4.45 In 2021, DWER released an interim Climate Change Risk Management Guide to 'support public sector agencies to conduct a first-pass climate risk assessment of their physical climate risks, including identification of treatment options to enhance resilience'.⁴²² The purpose of the guide is to enable the public sector to begin considering climate risk consistent with the long-term objectives of a climate risk framework.⁴²³
- 4.46 To support agencies with identifying climate risk, DWER established a Climate Risk Capability Initiative.⁴²⁴ This initiative also delivers climate risk training workshops, of which four had been held by March 2024.⁴²⁵ According to DWER, supporting public sector capability in this way is expected to be 'an iterative process over a number of years', consistent with the experiences of other states and territories.⁴²⁶

Climate risk framework pilot program

- 4.47 In July 2023, a two-year climate risk framework pilot program commenced to 'assess and uplift the maturity of each of the pilot agency's climate risk assessment, data capturing and reporting capability'.⁴²⁷ The Deputy Under Treasurer advised the Committee that the pilot program initially comprised a cross-section of government agencies and government trading enterprises (GTEs) with material climate risk that would be able to assist each other during the pilot.⁴²⁸ The eight agencies are:
- Synergy
 - Western Power

419 Department of Finance (Cth), *Commonwealth Climate Disclosure Policy*, 27 March 2024, accessed 30 July 2024, <https://www.finance.gov.au/government/climate-action-government-operations/commonwealth-climate-disclosure-policy#verification-and-assurance>.

420 Department of Water and Environmental Regulation, *Western Australian Climate Policy: A plan to position Western Australia for a prosperous and resilient low-carbon future*, November 2020, p. 26.

421 *ibid.*, p. 37.

422 Department of Water and Environmental Regulation; Department of Treasury, *Climate change risk management guide (interim)*, 2021, p. 4.

423 *ibid.*

424 Submission 5, Department of Water and Environmental Regulation, p. 9.

425 Sarah Gill, Director, Climate Change Division, Department of Water and Environmental Regulation, *Transcript of Evidence*, 20 March 2024, p. 15.

426 *ibid.*

427 Submission 9, Department of Treasury (WA) and Western Australian Treasury Corporation, p. 7.

428 Michael Court, Deputy Under Treasurer, Department of Treasury, *Transcript of Evidence*, 18 March 2024, pp. 3, 6.

- Horizon Power
- Water Corporation
- Pilbara Ports Authority
- Department of Education
- WA Health
- Department of Primary Industries and Regional Development.⁴²⁹

4.48 At a public hearing with the Committee, WA Treasury advised that following increased interest in the pilot, as at March 2024 a further 13 agencies had been invited to participate.⁴³⁰

4.49 By the end of the two-year pilot period, ‘it is intended that comprehensive climate-risk tools and guidance will be in place for use by all public sector entities’.⁴³¹ The pilot program is the current means of assisting ‘the [WA] public sector in preparing to meet formal climate-related disclosure requirements in the future’.⁴³² In other words, the pilot program is aiming to get the WA public sector ‘on the front foot’ in advance of reporting becoming mandatory at a national level.⁴³³

Finding 54

The State Government’s climate risk framework pilot program is the primary initiative preparing the public sector for future climate-related disclosure requirements.

The pilot program is building on the recommendations of the TCFD

4.50 The Committee understands that the work to develop the WA public sector’s climate-related disclosures will consider the recommendations of the TCFD, and the ISSB and draft AASB sustainability standards.⁴³⁴ This was confirmed by DWER’s Deputy Director General, Climate and Sustainability, when she described the TCFD as the ‘foundation for our climate risk work’ that will ‘guide the broad approach’ before it is downscaled, and an Australian lens is applied.⁴³⁵

4.51 The pilot program is adopting an approach to climate risk considerations aligned with the TCFD recommendations. As the Deputy Under Treasurer explained –

The initial focus is on the physical climate risk, and transitional climate risk assessment will follow in the second year of the pilot. It is envisaged the reporting will commence in stages. Focus will be on qualitative information at first,

429 Submission 9, Department of Treasury (WA) and Western Australian Treasury Corporation, pp. 6-7.

430 Michael Court, Deputy Under Treasurer, Department of Treasury, *Transcript of Evidence*, 18 March 2024, p. 3.

431 Submission 9, Department of Treasury (WA) and Western Australian Treasury Corporation, p. 7.

432 Department of Treasury, *Annual Report 2022-23*, September 2023, p. 10.

433 Brendan Davies, Assistant Director, Financial Policy, Department of Treasury, *Transcript of Evidence*, 18 March 2024, p. 6.

434 Submission 9, Department of Treasury (WA) and Western Australian Treasury Corporation, p. 6.

435 Emily Briggs, Deputy Director General, Climate and Sustainability, Department of Water and Environmental Regulation, *Transcript of Evidence*, 20 March 2024, p. 16.

progressing over time to include quantitative information, and that will allow lead time for agencies to build capability and to improve data processes and systems.⁴³⁶

- 4.52 WA Treasury’s Assistant Director, Financial Policy, explained the different types of risk assessment according to the pillars proposed by the TCFD and now adopted into the ISSB and draft AASB standards –

How the standards work, they are built on four pillars, and some of the pillars are more quantitative than others. For example, the first qualitative things that we will disclose will be around governance and strategy, what sort of systems are in place, is there management in place and how they have that oversight over climate risk in an organisation, for instance. The quantitative stuff is more going to be down the line when we start talking about metrics—it is emissions, it is scenario analysis—something that needs a measurement.⁴³⁷

- 4.53 He also told us that WA Treasury expect mostly qualitative draft reporting to come back from the pilot group in the first year, with quantitative assessment remaining optional, so WA Treasury can see what the agencies can produce. In the second year of the pilot, WA Treasury is expecting to further develop the draft reporting, particularly for quantitative information.⁴³⁸

- 4.54 The Deputy Director General, Climate and Sustainability, DWER explained this situation –

[The] initial climate risk work that we are doing in government is focusing on physical risk. Physical risk is where you are looking at sort of the climate change impacts from a physical sense. Down the track, we will then look at transition risk, which is where you look at things like how, in a changing economy, global policies will have an implication for a business or a country.⁴³⁹

- 4.55 When asked to provide examples of qualitative and quantitative information, DWER advised –

Qualitative, you might be looking at things like a change in access to water will have this kind of implication for a farm or this kind of implication for a department. When you get more into the quantitative, it is when you start to model out and you have more of that granular detail, so you use some of the detailed scenarios to look at what those changes might look like.⁴⁴⁰

436 Michael Court, Deputy Under Treasurer, Department of Treasury, *Transcript of Evidence*, 18 March 2024, p. 3.

437 Brendan Davies, Assistant Director, Financial Policy, Department of Treasury, *Transcript of Evidence*, 18 March 2024, p. 5.

438 *ibid.*, p. 6.

439 Emily Briggs, Deputy Director General, Climate and Sustainability, Department of Water and Environmental Regulation, *Transcript of Evidence*, 20 March 2024, p. 16.

440 *ibid.*

- 4.56 The Committee notes that the *Climate Adaptation Strategy* recommits the State to implementing a climate risk framework by 2026⁴⁴¹, using almost identical wording as the WA Climate Policy.⁴⁴²

Finding 55

The State's climate risk framework pilot program aligns with emerging national and international climate-related financial disclosure standards. This will ensure the WA public sector can be as prepared as possible prior to the start of national mandatory reporting.

Governance of the climate risk framework and its pilot program

- 4.57 The development of the climate risk framework and the pilot program is led by WA Treasury, with support from DWER.⁴⁴³ More specifically, oversight of the development of the framework, including the pilot program, is undertaken by a Climate Risk Working Group that comprises representatives from WA Treasury (as Chair), DWER, the Office of the Auditor General and the pilot agencies.⁴⁴⁴ As of March 2024, the group had formally met on four occasions.⁴⁴⁵
- 4.58 WA Treasury described their role in the project as 'facilitating the meetings and getting the guidance in place'.⁴⁴⁶ DWER added to this, commenting that WA Treasury's role is 'ensuring the management and disclosure of those financial risks are consistent, essentially, with its financial management approaches'.⁴⁴⁷
- 4.59 DWER described their own role as providing technical climate risk capability; currently on physical climate risk, but they expected that this will include transition risk going forward.⁴⁴⁸ WA Treasury advised this means providing feedback on any guidelines developed, such as whether these guidelines would be practical.⁴⁴⁹
- 4.60 The Auditor General submitted that her Office requested to be part of the working group as an observer 'to gain an understanding of all policies, procedures and systems being considered and provide feedback as necessary'.⁴⁵⁰ WA Treasury has advised they will

441 Department of Water and Environmental Regulation, *Climate Adaptation Strategy: Building WA's climate resilient future*, July 2023, p. 20.

442 Department of Water and Environmental Regulation, *Western Australian Climate Policy: A plan to position Western Australia for a prosperous and resilient low-carbon future*, November 2020, p. 37.

443 Sarah Gill, Director, Climate Change Division, Department of Water and Environmental Regulation, *Transcript of Evidence*, 20 March 2024, p. 16.

444 Submission 9, Department of Treasury (WA) and Western Australian Treasury Corporation, p. 7.

445 Michael Court, Deputy Under Treasurer, Department of Treasury, *Transcript of Evidence*, 18 March 2024, p. 4.

446 Brendan Davies, Assistant Director, Financial Policy, Department of Treasury, *Transcript of Evidence*, 18 March 2024, p. 5.

447 Sarah Gill, Director, Climate Change Division, Department of Water and Environmental Regulation, *Transcript of Evidence*, 20 March 2024, p. 16.

448 *ibid.*

449 Brendan Davies, Assistant Director, Financial Policy, Department of Treasury, *Transcript of Evidence*, 18 March 2024, p. 5.

450 Submission 6, Office of the Auditor General, p. 2.

‘consult with the OAG over the course of the pilot period to obtain feedback and recommendations from an audit perspective’.⁴⁵¹

The importance of aligning with national standards

- 4.61 The Auditor General told the Committee that if the framework aims to enable better allocation of resources and understand the impact of those decisions, then it needs to be fit-for-purpose in the WA context.⁴⁵² However, she advised that –

Basing this on the AASB sustainability standards will be relevant to an integrated and aligned approach so that WA is part of a national and global system.⁴⁵³

- 4.62 The Chamber of Minerals and Energy of WA agreed, highlighting how important it is ‘that any policy initiatives introduced at a state level aligns with, and does not duplicate, policy settings applied nationally’.⁴⁵⁴ They advised that ‘[m]isalignment across Federal and State frameworks could lead to inconsistent and duplicative settings that create uncertainty and additional costs’.⁴⁵⁵

- 4.63 The Committee understands this view is shared at the national level. According to the Commonwealth Treasury –

The use of multiple frameworks, some voluntary and some mandatory, alongside different reporting formats without any benchmark for quality, means that users face a harder task in analysing sustainability information. This ultimately leads to increased costs for users and introduces inefficiencies into processes and eventually the market – leading to misallocation of capital.⁴⁵⁶

- 4.64 As we have noted, the current WA climate risk framework pilot program accounts for the need for consistency with national and international standards. To support this, WA Treasury is ‘working with its counterparts in other jurisdictions through the Board of Treasurers⁴⁵⁷ and Council on Federal Financial Relations⁴⁵⁸ with the aim to develop consistent and comparable whole-of-government climate risk disclosures’.⁴⁵⁹

- 4.65 Further, the 2022-23 State Budget referenced the establishment of a Climate Coordination Unit (the Unit) within WA Treasury to ‘enable increased support to a number of cross-agency governance bodies and working groups. This includes providing support for modelling of

451 Submission 9, Department of Treasury (WA) and Western Australian Treasury Corporation, p. 5.

452 Submission 6, Office of the Auditor General, p. 4.

453 *ibid.*

454 Submission 16, Chamber of Minerals and Energy of WA, p. 2.

455 *ibid.*

456 Australian Treasury, *Policy Impact Analysis: Climate-related financial disclosures*, September 2023, p. 7.

457 The Board of Treasurers comprises treasurers from all Australian states and territories and aims to share information amongst jurisdictions and advance national reform priorities from a state and territory perspective

458 The Council on Federal Financial Relations comprises the Commonwealth Treasurer as Chair and all state and territory treasurers. It is responsible for overseeing the financial relationship between the Commonwealth and state and territory governments.

459 Submission 9, Department of Treasury (WA) and Western Australian Treasury Corporation, p. 6.

climate change and climate change policy impacts'.⁴⁶⁰ While it is not specifically mentioned in the 2023-24 or 2024-25 State Budgets, the Committee heard that the Unit is 'monitoring what is happening across WA agencies and what is happening with other jurisdictions, and it is making sure that that information is flowing to other key areas'.⁴⁶¹

From climate risk assessment and disclosure towards auditable reporting

4.66 In a recent Financial Audit Results report, the Auditor General noted that some entities had attempted to disclose climate-related financial risks in their financial statements. These climate-related financial risk disclosures were 'either unsupported, not readily auditable and/or are better placed elsewhere in the annual report'.⁴⁶² While the Auditor General commended this proactive approach, she stated –

[I]n the absence of specific standards and finalised guidance and templates from the WA Department of Treasury on public entity reporting requirements, we recommend that entities use caution before making any disclosures. All disclosures included in entities' financial statements need to be relevant, appropriate, evidenced based and auditable.⁴⁶³

4.67 This does raise the question, as WA continues down the path towards public sector climate risk disclosures, will there be a need to build auditing capacity? At a public hearing, the Deputy Under Treasurer indicated the State will indeed need to ensure auditors 'increase their capability and capacity to be able to audit information'.⁴⁶⁴

4.68 In her submission, the Auditor General supported the need to build capacity: '[t]o ensure we can build the required capability as an audit office, resources will be required through the appointment of qualified staff and developing current staff capabilities'.⁴⁶⁵ Developing audit capabilities in WA is just one area that will require capacity building in the climate risk space, as the Auditor General stated –

The area of climate risk will be one of the biggest changes and challenges for the WA public sector to address and, in my view, will be the aspect of ESG reporting and assurance that requires the greatest uplift in capability and resourcing.⁴⁶⁶

Finding 56

Western Australia's capacity to audit climate-related disclosures will need to be prepared to meet the expectations of international investors.

460 Government of Western Australia, *2022-23 Budget: Budget Statements: Budget Paper No. 2, Volume 1*, May 2022, p. 136.

461 Michael Court, Deputy Under Treasurer, Department of Treasury, *Transcript of Evidence*, 18 March 2024, p. 4.

462 Office of the Auditor General, *Financial Audit Results: State Government 2022-23*, 20 December 2023, p. 40.

463 *ibid.*, p. 41.

464 Michael Court, Deputy Under Treasurer, Department of Treasury, *Transcript of Evidence*, 18 March 2024, p. 3.

465 Submission 6, Office of the Auditor General, p. 3.

466 *ibid.*, p. 2.

Finding 57

Western Australian public sector entities should wait to disclose climate-related risks in their financial statements until a formal disclosure framework and accompanying guidelines are in place.

Capacity building

- 4.69 The Committee acknowledges that, as with any new policy or reporting requirement, there will be a need to develop skills and lift capacity. We repeatedly heard how fast the climate risk reporting landscape is evolving and that there is some concern around the capacity and skills required to respond to emerging needs, particularly within government and the small to medium business sector.

Within the private sector

- 4.70 Within the private sector, capacity building and the impetus to improve is driven largely by the market. However, there is a role for government in setting standards and providing clear guidance on any reporting requirements.⁴⁶⁷
- 4.71 As explained by the Deputy Under Treasurer, government has an interesting role to play in the private sector in terms of ensuring the business and industry community understands the expectations of emerging climate disclosure requirements. As the Deputy Under Treasurer told us, it is in a government's best interest to have a strong private sector that attracts international investment and is decarbonising to help meet net zero goals.⁴⁶⁸

Finding 58

The impetus for the private sector to build capacity is driven more by investors and shareholders than it is by government.

Within the public sector

- 4.72 As the *Climate Adaptation Strategy* states, 'climate change will stretch the capacity of the public sector' and therefore 'climate change considerations must be embedded into government policies, decision-making, planning and procurement to address climate risks'.⁴⁶⁹ Achieving this will require upskilling of the public sector.
- 4.73 At a public hearing with DWER, the need for increased resourcing and capacity building was discussed. Since 2019-20 DWER has increased its total climate-focused staff numbers

467 Richard Watson, Assistant Under Treasurer, Agency Budgeting and Governance, Department of Treasury, *Transcript of Evidence*, 18 March 2024, p. 7.

468 Michael Court, Deputy Under Treasurer, Department of Treasury, *Transcript of Evidence*, 18 March 2024, p. 7.

469 Department of Water and Environmental Regulation, *Climate Adaptation Strategy: Building WA's climate resilient future*, July 2023, p. 13.

sixfold.⁴⁷⁰ They acknowledge it is a ‘problem that the whole sector faces in starting to bring new skills and capability into the risk and assurance space’.⁴⁷¹

- 4.74 WA Treasury advised that the climate risk framework pilot project (discussed above) was helping to build capacity, but it was ‘going to take time’ as it is ‘quite a complex area’.⁴⁷²

Finding 59

There is a need to build capacity within the public sector, but it will take time as the climate risk space is an emerging and complex area.

Recommendation 3

That the Premier and Treasurer work with relevant ministers to ensure capacity within all State Government entities is adequate to meet emerging climate risk reporting, auditing and assurance requirements.

Western Sydney University – Climate Risk Ready Course for Public Sector Employees

- 4.75 The College at Western Sydney University has developed a Climate Risk Ready course for public sector employees. The course is ‘designed for public sector employees interested in understanding how climate change may impact their organisation, and those with responsibility for managing those impacts’.⁴⁷³ It includes ‘the assessment, treatment and monitoring of climate risks and learning how to embed these practices into existing management functions and enterprise risk management systems’.⁴⁷⁴
- 4.76 During our investigative travel to New South Wales, the Committee met with Mr Anthony Mitri from Western Sydney University. He advised that the program, which is delivered by climate scientists, was currently in its 6th intake group of students.⁴⁷⁵ Mr Mitri advised that while the program is owned by the NSW Government, it is nationally accredited and therefore could be available to WA public sector employees.⁴⁷⁶

Finding 60

The College at Western Sydney University has developed a Climate Risk Ready course for public sector employees interested in understanding how climate change may impact their organisation, and for employees with responsibility for managing those impacts.

470 Alistair Jones, Director General, Department of Water and Environmental Regulation, *Transcript of Evidence*, 20 March 2024, p. 3.

471 Emily Briggs, Deputy Director General, Climate and Sustainability, Department of Water and Environmental Regulation, *Transcript of Evidence*, 20 March 2024, p. 17.

472 Pauline Burton, Director, Financial Policy and Operations, Department of Treasury, *Transcript of Evidence*, 18 March 2024, p. 10.

473 The College – Western Sydney University, *Climate Risk Ready – Course Overview*, nd, accessed 31 July 2024, <https://www.westernsydney.edu.au/future/study/application-pathways/the-college/rto-programs/climate-risk-ready#:~:text=This%20course%20is%20designed%20for,responsibility%20to%20manage%20those%20i mpacts.>

474 *ibid.*

475 Mr Anthony Mitri, Deputy Chief Executive, The College at Western Sydney University, *Briefing*, 26 October 2024.

476 *ibid.*

Within the small and medium enterprise sector

- 4.77 The Committee understands there are concerns that many small and medium enterprises (SMEs) are either unaware or ill-prepared for any future climate-related reporting requirements they may have.
- 4.78 DWER recognises that SMEs ‘generally have lower capability and a lower level of resourcing in terms of being able to engage consultants, bring in expertise or take time to understand what the risks and opportunities and management strategies are’.⁴⁷⁷ DWER recognises this to be true for both climate adaptation and emissions reduction.⁴⁷⁸
- 4.79 SMEs, like all entities, are increasingly exposed to consumer expectations to supply “green” products. However, according to DWER, emissions reductions are complex for SMEs –
- Understanding what their emissions are, being able to quantify and measure their emissions, being able to understand what the opportunities are to reduce emissions, either from their direct operations or through their supply chains, is complex. In some cases, there are data gaps that are actually preventing even those that are highly engaged from really understanding what the picture looks like and what their opportunities are.⁴⁷⁹
- 4.80 At a hearing with CBH Group, witnesses discussed the benefits of having industry associations to assist smaller businesses understand their obligations. However, as they indicated, not all small business holders have an entity like the CBH Group to support them.⁴⁸⁰
- 4.81 The Committee notes that State Government regional development commissions, the Small Business Development Corporation, Local Government authorities, the Chamber of Commerce and Industry WA, other chambers of commerce and industry, and other associations, could play an important role in supporting and capacity building for SMEs.

Possible impact of Scope 3 emissions reporting on SMEs

- 4.82 As discussed earlier in this Chapter, Scope 3 emissions are indirect emissions that occur in the value chain of an entity, including both upstream and downstream.⁴⁸¹ Under the Commonwealth’s proposed Treasury Laws Amendment Bill, reporting entities will have to disclose their Scope 3 emissions provided that this information is available at the reporting date without undue cost or effort.⁴⁸²

477 Sarah Gill, Director, Climate Change Division, Department of Water and Environmental Regulation, *Transcript of Evidence*, 20 March 2024, p. 17.

478 *ibid.*

479 *ibid.*, pp. 17-18.

480 Brianna Peake, Chief Stakeholder Relations, Sustainability and Strategy Officer, CBH Group, *Transcript of Evidence*, 11 March 2024, p. 8.

481 Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024 (Cth), Explanatory Memorandum, p. 141.

482 Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024 (Cth), Explanatory Memorandum, p. 141.

- 4.83 The majority of Australian SMEs are not expected to have any direct reporting requirements in the immediate future. However, many small businesses form part of the supply chain of larger businesses, which means they may need to engage with climate reporting considerations over time.
- 4.84 Concerns related to supply chain decarbonisation were echoed by the CBH Group when they stated –
- If you are thinking mum and dad or small business owner farmers that are really having to bear their part of the supply chain decarbonisation, we think it is really important that the government understands that and can see that.⁴⁸³
- 4.85 To assist SMEs if the new laws come into effect, ASIC have reported that it ‘will work with small business representatives to develop practical guidance for small businesses in relation to the requirements of the new laws and how the new laws may impact them’.⁴⁸⁴

A role for government

- 4.86 The *Sectoral Emissions Reduction Strategy* (SERS) recognises that, while heavy industry accounts for the largest share of emissions in WA, ‘small-to-medium enterprises also make a material contribution but lack equivalent capability to track emissions in their operations or supply chains and understand abatement options’.⁴⁸⁵ Further, particularly in the agriculture industry, ‘markets and consumers are increasingly demanding low-carbon and carbon-neutral products’.⁴⁸⁶
- 4.87 To support SMEs, the SERS includes an initiative, led by the Department of Jobs, Tourism, Science and Innovation, to ‘work with key industry stakeholders to investigate support required by Western Australian small-to-medium enterprises to reduce emissions’.⁴⁸⁷

Finding 61

The Department of Water and Environmental Regulation recognises that small and medium enterprises generally have less capacity to understand the risks, opportunities and management strategies related to climate adaptation and emissions reduction.

Recommendation 4

That the Minister for Small Business continues to work with the small and medium enterprise sector to help build their capacity to understand risks and opportunities related to climate adaptation and emissions reduction to remain competitive.

483 Brianna Peake, Chief Stakeholder Relations, Sustainability and Strategy Officer, CBH Group, *Transcript of Evidence*, 11 March 2024, p. 5.

484 Australian Securities and Investments Commission, *Climate reporting and greenwashing: What small businesses need to know*, 19 March 2024, accessed 1 August 2024, <https://asic.gov.au/about-asic/news-centre/articles/climate-reporting-and-greenwashing-what-small-businesses-need-to-know/#:~:text=Scope%20%20emissions%20are%20those,without%20undue%20cost%20or%20effort.>

485 Department of Water and Environmental Regulation, *Sectoral emissions reduction strategy for Western Australia*, December 2023, p. 19.

486 *ibid.*, p.26.

487 *ibid.*, p.35.

Chapter 5

Engaging Aboriginal and young people in State Government decision-making

To improve ESG decision-making, we recommend including both young people and Aboriginal people in formal governance models at all stages of design, from inception, to implementation, and evaluation.

Submission 18, Doctors for the Environment Australia.

- 5.1 The Committee believes Aboriginal people and young people should be included in government decision-making because they have experiences, they have ideas, and they are disproportionately affected by the impacts of climate change.
- 5.2 According to Doctors for the Environment Australia, current government processes fail to fully include Aboriginal people and young people in policy design, including ‘co-design, co-development, co-participation, co-implementation, co-monitoring and assessment, and oversight/co-governance’.⁴⁸⁸ Further, they argue government processes have failed to ‘include Aboriginal people and young people in the measurement and assessment of outcomes’.⁴⁸⁹
- 5.3 This Chapter will examine: what other jurisdictions are doing to include the voices of both groups in their decision-making processes; what the State Government is doing to engage both Aboriginal people and young people in its decision-making; and offer some suggestions on ways to improve and better incorporate the contributions of both groups in government decision-making.

Engaging Aboriginal people in government decision-making

- 5.4 Indigenous peoples have been faced with adaptation challenges for centuries and have developed strategies for resilience in changing environments that can enrich and strengthen current and future adaptation efforts.⁴⁹⁰
- 5.5 There are opportunities to improve how the State Government incorporates the views of Aboriginal people in its decision making.

488 Submission 18, Doctors for the Environment Australia, p. 5.

489 *ibid.*

490 Intergovernmental Panel on Climate Change, *Climate Change 2022: Impacts, Adaptation, and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change – Technical Summary*, Cambridge University Press, UK, 2022, p. 108.

- 5.6 A senior public sector officer put it best when they acknowledged that ‘First Nations people have been very absent from how [the State Government has] thought through [its] responsibilities in delivering services to the Western Australian community’.⁴⁹¹
- 5.7 Aboriginal people in Western Australia are disproportionately impacted by the effects of climate change. There are additional challenges in regional WA, as highlighted in the State Government’s *Climate Adaptation Strategy*:

The 2023 Kimberley floods are a stark example of the impact that extreme weather events have on communities and critical infrastructure.... As climate change disrupts animal and plant habitats, waterways and access to the land, it also disrupts cultural practices, posing a threat to traditional practices and the deep cultural and spiritual connections to Country held by Aboriginal people.⁴⁹²

Finding 62

Aboriginal people have been developing resilience strategies to adapt to changing environments for centuries.

Finding 63

Historically, the State Government has not given sufficient consideration to Aboriginal perspectives and experiences in its approach to policy development and service delivery in Western Australia.

What is happening around Australia?

- 5.8 The National Agreement on Closing the Gap commits state governments to working in partnership with First Nations communities and peak organisations to address the inequality between Aboriginal and Torres Strait Islander and non-First Nations people.⁴⁹³ The Committee chose to look at specific action taken by other states to fulfill this commitment. The Committee was interested in learning about mechanisms that could strengthen the incorporation of Aboriginal perspectives into government decision-making.

Queensland

- 5.9 While in Queensland, the Committee met with representatives from the Queensland Department of Environment and Science (DES)⁴⁹⁴ who told us about the *Gurra Gurra Framework 2020-2026* (the Framework) which is in place to embed First Nations peoples’ knowledge and leadership in their systems, policies and programs.⁴⁹⁵ The Framework

491 Closed evidence.

492 Department of Water and Environmental Regulation, *Climate Adaptation Strategy: Building WA’s climate resilient future*, July 2023, p. 6.

493 Closing the Gap, *Partnership*, nd, accessed 12 July 2024, <https://www.closingthegap.gov.au/partnership>.

494 At the time of the Committee’s Briefing it was the Department of Environment and Science, it has since been renamed to the Department of Environment, Science and Innovation.

495 Jamie Merrick, Director General, Department of Environment and Science (QLD), *Briefing*, 27 October 2023.

includes ten initiatives each with actionable tasks that were developed in consultation with the Department's executive leadership, staff, and external First Nations partners. These are:

- Being adaptable and responsive
- Embedding a principles and values-based approach
- Respecting First Nations community history and aspirations
- Valuing culture within the department
- Improving cultural capacity and agility
- Attracting and developing First Nations people
- Improving our authorising environment
- Strong governance
- Strong procurement
- Strong communication.⁴⁹⁶

5.10 At the briefing, Jamie Merrick, Director General, DES, advised the Committee that DES is the largest land manager in Queensland and the Framework is about reframing the State Government's relationships with First Nations people, treating them as partners not stakeholders and recognising their ongoing connection with land and sea country.⁴⁹⁷ He advised the Committee that there was a mid-term review of the Framework due in November 2023 that was looking at the resources, change management and next steps for the Framework. That review would be an internal process designed to inform the relevant Minister.⁴⁹⁸

Finding 64

In consultation with external First Nations' partners, Queensland has developed its *Gurra Gurra Framework 2020-2026* to embed First Nations peoples' knowledge and leadership in their systems, policies, and programs.

New South Wales

5.11 The New South Wales (NSW) Government's approach to investment decision-making has shifted over the last four years to 'incorporate a greater focus on outcomes, with the implementation of outcome budgeting — an approach to decision making that recognises the allocation of public resources should be based on the outcomes achieved for people, not the amount spent'.⁴⁹⁹ As part of the outcome budgeting reforms, NSW Treasury works with government departments to 'embed a greater focus on Indigenous outcomes [...] in alignment with Closing the Gap'.⁵⁰⁰

496 Department of Environment and Science (Qld), *The Gurra Gurra Framework 2020-2026*, nd, p. 15.

497 Jamie Merrick, Director General, Department of Environment and Science (QLD), *Briefing*, 27 October 2023.

498 *ibid.*

499 NSW Treasury, *Aboriginal and Torres Strait Islander Outcome Budgeting Landscape Report 2020-21*, February 2022, p. 6.

500 NSW Treasury, *First Nations Outcomes*, 10 August 2022, accessed 10 July 2024, <https://www.treasury.nsw.gov.au/nsw-economy/Strategic-and-Aboriginal-Outcomes>.

- 5.12 Published by NSW Treasury in February 2022, the *Aboriginal and Torres Strait Islander Outcome Budgeting Landscape Report 2020-21* includes the following key objectives:
- To bring a greater focus on First Nations outcomes across NSW Government agencies, using the Outcome Budgeting Framework;
 - To support a consistent approach to aligning Outcome Budgeting to the NSW Government’s commitment under Closing the Gap;
 - To support strategic and evidence-based investment into First Nations communities;
 - To draw out lessons and experiences from current approaches to First Nations outcomes that could help the NSW Government better direct focus towards cross-government outcomes.⁵⁰¹
- 5.13 Since the Committee’s briefings with NSW Treasury, we have become aware of the NSW Government’s community-led plan to ‘strengthen the relationship between government and community to help improve outcomes for Aboriginal people and communities in NSW’.⁵⁰² Developed through Aboriginal Affairs NSW, OCHRE (which stands for Opportunity, Choice, Healing, Responsibility, Empowerment) supports self-determination, enabling Aboriginal communities to make decisions for themselves and work with government agencies in their own way by emphasising:
- Partnerships over paternalism
 - Opportunity over disadvantage
 - Successes over shortfalls
 - ‘Listening to’ over ‘talking at’
 - Local solutions over ‘one size fits all’
 - Evidence over assumptions
 - Participation over marginalisation
 - Practice over theory.⁵⁰³

Finding 65

As part of the outcome budgeting reforms, New South Wales Treasury works with government departments to embed a greater focus on Indigenous outcomes in alignment with the National Agreement on Closing the Gap.

South Australia

- 5.14 On 26 March 2023, the South Australian Parliament passed the *First Nations’ Voice Act 2023* (the Act) establishing a First Nations Voice in South Australia. The Act partly commenced

501 NSW Treasury, *Aboriginal and Torres Strait Islander Outcome Budgeting Landscape Report 2020-21*, February 2022, p. 2.

502 NSW Government, *About OCHRE*, nd, accessed 10 July 2024, <https://www.nsw.gov.au/departments-and-agencies/aboriginal-affairs-nsw/about-ochre>.

503 *ibid.*

operation on 12 May 2023, with the remainder of the Act, relating to the Voice addressing Parliament, commencing operation on 1 January 2024.⁵⁰⁴

- 5.15 The South Australian Parliament's First Nations' Voice has established a direct and independent line of communication for First Nations people to South Australia's Parliament and the government. It comprises six Local First Nations Voices and a State First Nations Voice.⁵⁰⁵
- 5.16 The Local First Nations Voices, established through an election process, will represent the voices of First Nations people at the local community level.⁵⁰⁶ The State First Nations Voice will be made up of the two presiding members from each Local First Nations Voice. The State First Nations Voice will:
- Hear the views of each Local First Nations Voice;
 - Form state-wide views and positions that represent the diversity of First Nations people in South Australia;
 - Present views and priorities to the South Australian Parliament, Ministers, and government chief executives.⁵⁰⁷
- 5.17 In addition, the State First Nations Voice will also establish advisory committees to hear the views of specific groups of people. These might include: the Native Title Bodies Advisory Committee; Stolen Generations Advisory Committee; First Nations Youth Advisory Committee; and the First Nations Elders Advisory Committee.⁵⁰⁸

Finding 66

The South Australian Parliament's First Nations' Voice has established a direct and independent line of communication for First Nations people to South Australia's Parliament and government.

Victoria

- 5.18 In August 2019, the *Advancing the Treaty Process with Aboriginal Victorians Act 2018* (Treaty Act) was enacted. The purpose of the Treaty Act was to:
- Advance the process of treaty making between traditional owners and Aboriginal Victorians, and the State;

504 Legal Services Commission South Australia, *Voice to Parliament*, 18 March 2024, accessed 12 July 2024, <https://www.lawhandbook.sa.gov.au/ch27s03s01.php#:~:text=On%2026%20March%202023%20the,art%20on%2012%20May%202023..>

505 Attorney-General's Department (SA), *South Australia's First Nations Voice to Parliament*, 2022, accessed 12 July 2024, <https://www.agd.sa.gov.au/aboriginal-affairs-and-reconciliation/first-nations-voice>.

506 *ibid.*

507 South Australian First Nations Voice to Parliament, *State Voice*, nd, accessed 31 July 2024, <https://www.firstnationsvoice.sa.gov.au/state-voice>.

508 South Australian First Nations Voice to Parliament, *Advisory Committees*, accessed 31 July 2024, <https://www.firstnationsvoice.sa.gov.au/state-voice/advisory-committees..>

- To provide for a mechanism for the State to recognise the Aboriginal Representatives Body as the sole representative of traditional owners and Aboriginal Victorians for the purpose of establishing elements necessary to support future treaty negotiations; and
 - To enshrine the guiding principles for the treaty process;
 - To require the Aboriginal Representative Body and the State to work together to establish elements necessary to support future treaty negotiations.⁵⁰⁹
- 5.19 In October 2019, statewide elections took place and members were elected to the First Peoples' Assembly of Victoria. By December of that year, the then Minister for Aboriginal Affairs declared the First Peoples' Assembly of Victoria to be the Aboriginal Representative Body under the Treaty Act.⁵¹⁰ The role of the First Peoples' Assembly was to prepare for negotiations and to agree to a treaty with the Victorian Government.⁵¹¹
- 5.20 Following a historic agreement between the Victorian Government and the First Peoples' Assembly, the *Treaty Authority and Other Treaty Elements Act 2022* (Treaty Authority Act) was enacted in August 2022.⁵¹² The purpose of the Act is to:
- Recognise the Treaty Authority's establishment under the Treaty Authority Agreement;
 - Facilitate the operation of the Treaty Authority by giving legal force to its activities;
 - To amend the Treaty Act in relation to the treaty negotiation framework and the administration of the self-determination fund.⁵¹³
- 5.21 It should be noted, the Treaty Authority will be independent from Government and will consist of five to seven members who will oversee and facilitate Treaty negotiations.⁵¹⁴
- 5.22 In October 2022, the Victorian Government and the First Peoples' Assembly of Victoria signed the Treaty Negotiation Framework Agreement, which sets out the process and rules for negotiating a Statewide Treaty and Traditional Owner Treaties between the State and First Peoples.⁵¹⁵ The two parties also signed the Self-determination Fund Agreement, which provides First Peoples, including Traditional Owners, with a financial resource independent from the State, to achieve 'equal standing' in Treaty negotiations.⁵¹⁶

509 *Advancing the Treaty Process with Aboriginal Victorians Act 2018*, (Vic), s. 1.

510 Department of Premier and Cabinet: First Peoples – State Relations (Vic), *Treaty for Victoria, 2022*, accessed 12 July 2024, accessible from <https://content.vic.gov.au/sites/default/files/2022-12/Treaty-for-Victoria-pdf>.

511 Department of Premier and Cabinet: First Peoples – State Relations (Vic), *Treaty Authority establishment*, 28 October 2022, accessed 12 July 2024, <https://www.firstpeoplesrelations.vic.gov.au/treaty-authority-establishment>.

512 *ibid.*

513 *Treaty Authority and Other Treaty Elements Act 2022*, (Vic), s. 1.

514 Department of Premier and Cabinet: First Peoples – State Relations (Vic), *Treaty for Victoria*, 8 July 2024, accessed 12 July 2024, <https://www.firstpeoplesrelations.vic.gov.au/treaty-victoria>.

515 *ibid.*

516 *ibid.*

- 5.23 Once operational, the Treaty Authority will ‘support First Peoples groups to register for Treaty negotiations and will invite the State to join these negotiations’.⁵¹⁷ The Victorian Government anticipates formal Treaty negotiations will commence later in 2024.⁵¹⁸

Finding 67

In Victoria, the *Treaty Authority and Other Treaty Elements Act 2022* was enacted in August 2022. The purpose of the Act is to:

- Recognise the Treaty Authority’s establishment under the Treaty Authority Agreement;
- Facilitate the operation of the Treaty Authority by giving legal force to its activities;
- To amend the Treaty Act in relation to the treaty negotiation framework and the administration of the self-determination fund.

What is happening in Western Australia?

- 5.24 Throughout the Committee’s evidence gathering, we heard many examples of State agencies working to improve how they engage Aboriginal people and incorporate their contributions into government decision-making processes. For example, at the state-wide level there is the Aboriginal Advisory Council, the *Aboriginal Empowerment Strategy* and now the *Climate Adaptation Strategy*.
- 5.25 At the departmental level, the Department of Treasury, the Department of Energy, Mines, Industry Regulation and Safety (DEMIRS), and the Department of Water and Environmental Regulation (DWER) are all engaged in work to improve their decision-making processes in this area.
- 5.26 In addition, we heard from organisations outside of the State Government that offered suggestions for ways to improve Aboriginal contributions to government decision-making. The following section details some of these suggestions. However, we will start this section by providing a very high-level explanation of the State Government’s approach to Native Title as, in many ways, it underpins the State’s interaction with Aboriginal people.

Native Title in Western Australia

- 5.27 The *Native Title Act 1993* (Cth) gives statutory recognition and protection of Native Title. The legislation recognises that –

Except where Native Title had been wholly extinguished by the historical grant of freehold, leasehold and other interests, Native Title exists where Aboriginal people have maintained a traditional connection to their land and waters substantially uninterrupted since sovereignty.⁵¹⁹

517 Department of Premier and Cabinet: First Peoples – State Relations (Vic), *Treaty for Victoria*, 8 July 2024, accessed 12 July 2024, <https://www.firstpeoplesrelations.vic.gov.au/treaty-victoria>.

518 *ibid*.

519 Department of the Premier and Cabinet, *Native Title – About Native Title*, 19 March 2024, accessed 11 July 2024, <https://www.wa.gov.au/organisation/departments-of-the-premier-and-cabinet/native-title>.

- 5.28 The WA Government has adopted a whole-of-government approach to Native Title. It did this to:
- Ensure compliance with legislation;
 - Increase consistency in policy, work practices and expenditure;
 - Reduce duplication between Government agencies;
 - Increase public sector accountability and effectiveness.⁵²⁰
- 5.29 Native Title claims in Western Australia fall under six broad regions: Kimberley, Pilbara, Geraldton, Central Desert, Goldfields and South West.⁵²¹ The combined area of registered and determined Native Title claims covers approximately 85% of Western Australia’s land mass.⁵²²
- 5.30 It is worth noting that the South West Native Title Settlement is –
- The most comprehensive Native Title agreement negotiated in Australian history. The Settlement between the Noongar people and the Western Australian (WA) Government covers approximately 200,000 square kilometres of the south-west region.⁵²³
- 5.31 According to the Chief Scientist, this Settlement represents the closest thing Australia currently has to a Treaty.⁵²⁴

Finding 68

The *Native Title Act 1993* (Cth) gives statutory recognition and protection of Native Title. The combined area of registered and determined Native Title claims covers approximately 85% of Western Australia’s land mass.

Function of the Aboriginal Advisory Council

- 5.32 The Aboriginal Advisory Council of WA (the Council) is established under section 18(1) of the *Aboriginal Affairs Planning Authority Act 1972* to advise the Western Australian Government. It engages with government agencies to provide advice on policy matters relating to Aboriginal people.⁵²⁵ The Council acts as ‘an advisory and consultative board that

520 Department of the Premier and Cabinet, *Native Title – Whole-of-government approach*, 19 March 2024, accessed 11 July 2024, <https://www.wa.gov.au/organisation/departments/premier-and-cabinet/native-title#whole-of-government-approach>.

521 Department of the Premier and Cabinet, *Native Title – Representative bodies*, 19 March 2024, accessed 11 July 2024, <https://www.wa.gov.au/organisation/departments/premier-and-cabinet/native-title#representative-bodies>.

522 Department of the Premier and Cabinet, *Native Title – Whole-of-government approach*, 19 March 2024, accessed 11 July 2024, <https://www.wa.gov.au/organisation/departments/premier-and-cabinet/native-title#whole-of-government-approach>.

523 Department of the Premier and Cabinet, *South West Native Title Settlement*, 21 February 2024, accessed 11 July 2024, <https://www.wa.gov.au/organisation/departments/premier-and-cabinet/south-west-native-title-settlement#south-west-native-title-settlement>.

524 Professor Peter Klincken, Chief Scientist of Western Australia, *Transcript of Evidence*, 14 February 2024, p. 8.

525 Department of the Premier and Cabinet, *Aboriginal Advisory Council WA – Resources*, 21 December 2023, accessed 9 July 2024, <https://www.wa.gov.au/organisation/departments/premier-and-cabinet/aboriginal-advisory-council-wa-resources>.

provides independent or expert advice to the government on strategic matters or matters of board significance'.⁵²⁶ It is a statutory body that reports to the Minister for Aboriginal Affairs.

- 5.33 Secretariat responsibility sits with the Department of the Premier and Cabinet and the Council meets a minimum of four times per year.⁵²⁷ These meetings are open to all government agencies who wish to engage advice from Council members.

Finding 69

The Aboriginal Advisory Council provides advice to State Government agencies on policy matters relating to Aboriginal people in Western Australia.

Aboriginal Empowerment Strategy

- 5.34 The *Aboriginal Empowerment Strategy 2021-2029* (the Strategy) was developed in partnership with the Council. It is the 'culmination of a process of reviewing what Aboriginal people have told [the Government] over many years, including through numerous reports and more recent engagement and consultation'.⁵²⁸
- 5.35 The Strategy sets out how the State Government will direct its efforts towards 'a future in which all Aboriginal people, families and communities are empowered to live good lives and choose their own futures from a secure foundation'.⁵²⁹ The Strategy outlines a high-level framework for the reforms required to ensure –
- Government policies, plans, initiatives, and programs – including support for Aboriginal-led services – are effective in meeting the needs of Aboriginal people across a range of diverse circumstances. These reforms are built around genuine partnerships and engagement with Aboriginal people, strong accountability, and culturally responsive ways of working.⁵³⁰
- 5.36 The Strategy includes a number of key elements, the most relevant to this Inquiry being 'partnerships, shared decision-making, and engagement'. This element requires Government agencies to:
- Ensure Aboriginal people have a defined and systematic role in decision-making, proportional to the potential impacts or opportunities for Aboriginal people;
 - Support Aboriginal representation in decision-making, and build the engagement capacity of both Aboriginal and Government participants;

526 Department of the Premier and Cabinet, *Aboriginal Advisory Council WA – Charter and Terms of Reference*, 31 January 2024, accessed 9 July 2024, <https://www.wa.gov.au/government/document-collections/aboriginal-advisory-council-wa-charter-and-terms-of-reference>.

527 Aboriginal Advisory Council of WA, *Charter*, p. 4, accessible from: <https://www.wa.gov.au/system/files/2020-05/AAC%20WA%20-%20Charter.pdf>.

528 Department of the Premier and Cabinet, *Aboriginal Empowerment Strategy Western Australian 2021-2029*, 2 September 2021, accessed 9 July 2024, <https://www.wa.gov.au/organisation/department-of-the-premier-and-cabinet/aboriginal-empowerment-strategy-western-australia-2021-2029>.

529 Department of the Premier and Cabinet, *The Aboriginal Empowerment Strategy Western Australian 2021-2029 – Policy Guide*, 2021, p. 4.

530 *ibid.*

- Enable more decisions within Government agencies to be made at the regional or local level, enabling greater place-based engagement.⁵³¹
- 5.37 Actions to put the Strategy into effect will be set out in a series of implementation plans developed through cross-government collaboration in partnership with the Council.⁵³²
- 5.38 According to the Strategy, an accountability framework will be developed to ‘provide the basis for transparent measurement and reporting’ on where progress is made and where more work is required.⁵³³

Finding 70

The *Aboriginal Empowerment Strategy* sets out requirements to encourage State Government agencies ensure Aboriginal people have a defined and systematic role in decision-making and support Aboriginal representation in government decision-making.

Agency initiatives to improve Aboriginal involvement in decision-making

- 5.39 During our evidence gathering we heard from several State entities who told us they have introduced a range of initiatives to improve how they integrate the voices of Aboriginal people into decision-making processes.

Department of Treasury

- 5.40 In its submission to the Inquiry, the Department of Treasury (Treasury) advised it had liaised with the Aboriginal Advisory Council to develop and implement its *Treasury Aboriginal Empowerment Strategy (TAES)*.⁵³⁴
- 5.41 Released in 2023, the TAES outlines Treasury’s commitment to ‘embed the Closing the Gap Priority Reforms and the Government’s *Aboriginal Empowerment Strategy* principles’.⁵³⁵ A key action of this strategy is to ‘review and transform’ Treasury’s internal processes and systems to ‘embed culture at the heart and elevate the representation of Aboriginal peoples’ needs and viewpoints in decision-making’.⁵³⁶

Department of Energy, Mines, Industry Regulation and Safety

- 5.42 The Department of Energy, Mines, Industry Regulation and Safety (DEMIRS) advised that, in response to the *Aboriginal Empowerment Strategy*, an Aboriginal Empowerment Unit (the Unit) was established within the DEMIRS’ Resource and Environmental Regulation (RER) Group.⁵³⁷ Its role is to ‘ensure mining and resources projects and policies are developed in a culturally respectful way, and to seek to develop formal pathways for Aboriginal people to

531 Department of the Premier and Cabinet, *The Aboriginal Empowerment Strategy Western Australian 2021-2029 – Policy Guide*, 2021, p. 26.

532 *ibid.*, p. 14.

533 *ibid.*, p. 14.

534 Submission 9, Department of Treasury (WA) and Western Australian Treasury Corporation, p. 2.

535 *ibid.*

536 *ibid.*

537 Submission 10, Department of Mines, Industry Regulation and Safety, p. 8.

contribute to the way that resource development is regulated'.⁵³⁸ Progress to date for the Unit includes:

- Engaging Aboriginal providers who deliver on Country learning to increase cultural understanding within the organisation of the lands on which DEMIRS works;
- Completion of a review of the RER Group's systems and processes to identify areas for reshaping to support culturally appropriate content and user-friendly access to information;
- Data collation on common Aboriginal stakeholder enquiries;
- Aboriginal stakeholder mapping to assist visibility of contacts and opportunities in engaging Aboriginal communities and businesses across the State.⁵³⁹

Department of Water and Environmental Regulation

- 5.43 In its submission to the Inquiry, DWER recognised the need to move 'beyond conventional advisory and consultancy relationships with Aboriginal people, towards empowerment and shared decision-making wherever possible'.⁵⁴⁰
- 5.44 DWER told us it is involved in a range of work to support and engage Aboriginal people in this State. A couple of examples are included below, but of particular relevance to the Inquiry is the Department's responsibility for the oversight and coordination of the *Climate Adaptation Strategy* (the Strategy). See Box 5.1 for more information on how the Strategy aims to empower Aboriginal people in Western Australia.
- 5.45 In 2018, DWER established an Aboriginal Water and Environmental Advisory Group (AWEAG) to 'ensure that Aboriginal knowledge, values and needs are considered and appropriately addressed across DWER's strategies, programs and planning for the management and regulation of the State's environment and water resources'.⁵⁴¹
- 5.46 DWER is also leading the design of a First Nations Climate Resilient Fund to work with Aboriginal organisations and leaders to build resilience within their communities in the face of a changing climate. A two-year engagement process with Aboriginal organisations will aim to:
- Understand how climate change is impacting Aboriginal communities;
 - Identify opportunities to integrate traditional knowledge and practice in climate change responses;
 - Assist Government to integrate Aboriginal knowledge into adaptation measures and investments, where relevant;
 - Identify priority projects to design in partnership with Aboriginal organisations, including regionally specific adaptation measures.⁵⁴²

538 Submission 10, Department of Mines, Industry Regulation and Safety, p. 8.

539 *ibid.*

540 Submission 5, Department of Water and Environmental Regulation, p. 6.

541 *ibid.*

542 *ibid.*

Finding 71

Western Australian State Government departments are recognising the need to move beyond conventional advisory and consultancy relationships with Aboriginal people, towards empowerment and shared decision-making.

Box 5.1: Climate Adaptation Strategy – Empower and support the climate resilience of Aboriginal People

The State’s *Climate Adaptation Strategy*, discussed in Chapter 3, acknowledges that:

Aboriginal people are significantly and disproportionately impacted by climate change. Historic and ongoing injustices have impacted the prosperity, independence and wellbeing of Aboriginal people, making them and their communities more vulnerable to climate change.

The Strategy includes four directions, one of which is to ‘[e]mpower and support the climate resilience of Aboriginal People’. The Adaptation Strategy acknowledges that, where relevant:

[A]daptation planning should incorporate the perspectives, knowledge and connection to Country of Aboriginal people, recognising the unique experience of those living on Country. Partnerships with Aboriginal people should be mutually beneficial, with the aim of empowering and improving the resilience of Aboriginal communities while using First Nations knowledge to improve broader adaptation planning.

The Adaptation Strategy recognises the following:

- There are structural and systemic barriers to the integration of Aboriginal perspectives and traditional knowledge, but there are significant opportunities to enhance the inclusion of Aboriginal voices and knowledge to support identification of climate risks, and to develop adaptation solutions.
- Culturally respectful and regionally focused two-way dialogue that integrates traditional knowledge and Western science is critical.
- Community engagement needs to be inclusive, so that all voices are heard in the development of policies and actions that address the needs of the community.
- Empowering Aboriginal people to build their climate resilience can help to close the gap in life expectancy and adaptive capacity between Aboriginal and non-Aboriginal Australians.
- Empowerment requires establishment of sustainable partnerships with the Aboriginal community-controlled organisations sector, native title holders and other community organisations.
- Building partnerships through conversations on Country takes time but is crucial for developing trust and for genuine partnerships to emerge.
- Investment is required to improve the delivery of essential water and power services for remote Aboriginal communities and bring services into line with comparable communities in Western Australia.

Source: Department of Water and Environmental Regulation, *Climate Adaptation Strategy*, July 2023, pp. 6, 16-18.

- 5.47 The Committee believes the State Government and its entities have recognised the need to improve engagement with Aboriginal people. The policies, strategies and initiatives being implemented, particularly the *Climate Adaptation Strategy*, acknowledge the historic and ongoing injustices experienced by Aboriginal people and look to ways the State Government can empower Aboriginal people and enhance inclusive government decision-making.

Finding 72

The *Climate Adaptation Strategy* acknowledges that Aboriginal people are significantly and disproportionately impacted by climate change.

Finding 73

There has been a cultural shift within State Government agencies to recognise the importance of the representation of Aboriginal peoples' needs and perspectives in decision-making.

Recommendation 5

That the Minister, in accordance with the *Climate Adaptation Strategy*, ensures the framework for monitoring, evaluation and reporting, to track the implementation of the Strategy's progress, is developed by 2025 as stated in the Strategy.

Suggested actions to improve Aboriginal involvement in Government decision-making

- 5.48 During the Inquiry, we received evidence from a range of non-government organisations and individuals. Many of these witnesses were critical of how the Government is currently engaging Aboriginal people on a range of matters, including in its decision-making.
- 5.49 According to one witness, when engaging Aboriginal communities, governments tend to 'talk to them, not with them'.⁵⁴³ The implication being that governments are not listening to the issues being raised and therefore do not understand the need for and importance of self-determination for Aboriginal people.⁵⁴⁴
- 5.50 Another witness advised that 'consultation is not consent' and too often, the 'power sits with the government and the power sits with industry'.⁵⁴⁵ Further, the witness advised that even when consultation does occur, the individuals consulted may not necessarily have the cultural authority to make the required decisions.⁵⁴⁶
- 5.51 Despite their criticisms, the witnesses we spoke with provided many suggestions for ways the State Government could improve how it incorporates the perspectives of Aboriginal people in its decisions-making. These included: adopting a "First Nations Lens"; creating

543 Timothy Milsom, Chief Executive Officer, Noongar Chamber of Commerce and Industry of Western Australia, *Transcript of Evidence*, 21 February 2024, p. 9.

544 *ibid.*, pp. 9-10.

545 Dwayne Mallard, Founder and Managing Director, Arjaway, *Transcript of Evidence*, 8 May 2024, p. 6.

546 *ibid.*, p. 8.

community partners; and taking a “two-way science” rather than a solely western science, approach. Below is a brief summary of each of these suggestions.

Adopting a “First Nations Lens”

- 5.52 The Chief Executive Officer of the Noongar Chamber of Commerce and Industry told the Committee about a self-assessment tool he developed to help organisations adopt a First Nations lens for their ESG frameworks. Essentially, he has drafted 50 questions for each element of environment, social and governance (150 questions in total) with recommendations that sit behind each question.⁵⁴⁷ As he described it, the approach is about ‘[d]o you do this? If you do not, then here are some recommendations on how you might be able to do things differently and a little bit better’.⁵⁴⁸ It is designed to be an incentive to do ‘the right thing’.⁵⁴⁹

Creating community partners

- 5.53 The Committee heard that there can be very little trust of government services and some social services in communities with marginalised people.⁵⁵⁰ To better engage with these communities, it was suggested that governments should create community partners. Community partners have existing relationships that they are going to hold on to over time. As the witness explained, ‘policy folks are going to come and go, but the community stays’.⁵⁵¹
- 5.54 Another witness acknowledged that working directly with community members is ‘complex and time-intensive work’, but unless trust is established ‘we will not get the outcomes that we need’.⁵⁵² She supported the idea of establishing community partners, saying governments ‘have to partner with the community organisations that have the trust...the Aboriginal-controlled organisations in community’ and it’s important that the work is done on the timeline of the community partners.⁵⁵³
- 5.55 Another way to build community partnerships could be a dedicated Aboriginal liaison officer at the Small Business Development Corporation, or a similar body, who understands the cultural protocols of doing business on Country because historically some Aboriginal people have had challenges accessing the standard programs that are available.⁵⁵⁴

Taking a two-way science approach

- 5.56 The Committee understands the notion of ‘two-way science’ to mean integrating traditional Aboriginal knowledge with western science. According to the Chief Scientist of WA, from a

547 Timothy Milsom, Chief Executive Officer, Noongar Chamber of Commerce and Industry of Western Australia, *Transcript of Evidence*, 21 February 2024, p. 4.

548 *ibid.*, p. 5.

549 *ibid.*, p. 5.

550 Jaime Yallup Farrant, Climate Justice Organiser and Convenor of the Climate Justice Union, *Transcript of Evidence*, 8 November 2023, p. 5.

551 *ibid.*

552 *ibid.*, p. 3.

553 *ibid.*, p. 6.

554 Timothy Milsom, Chief Executive Officer, Noongar Chamber of Commerce and Industry of Western Australia, *Transcript of Evidence*, 21 February 2024, p. 9.

scientific perspective, ‘we are not tapping into the expertise that Aboriginal people have got’.⁵⁵⁵

- 5.57 According to Dwayne Mallard, Founder of Arjaway⁵⁵⁶, to adopt a two-way science approach

–

We need the science to validate our ancestral wisdom and knowledge around water systems, the lay of the land, the spirit of the land, the knowledge systems around healing and wellbeing, bush foods, bush medicines. Restoring the dignity of that land brings back those plants and brings back those animals and creates new and emerging economies that those cultural knowledge systems need to be protected around Indigenous cultural and intellectual property rights.⁵⁵⁷

Native Title Structure

- 5.58 As discussed earlier in this Chapter, the WA Government has taken a whole-of-government approach to Native Title. According to one witness, the State Government should ‘use the Native Title footprint’ to engage with First Nations people, noting that culturally elected leaders already exist within that structure.⁵⁵⁸ He argued there is a structure base that would allow for the flow of information and for collective decision-making.⁵⁵⁹

Considerations

- 5.59 More recently developed State Government strategies incorporate many of these suggestions. For example, the *Aboriginal Empowerment Strategy* calls for genuine partnerships, greater respect and understanding and the need for community partners or place-based engagement.
- 5.60 As outlined in Box 5.1, the *Climate Adaptation Strategy* adopts many of these suggestions, including the need to develop relationships within the communities, the need to enhance respect and understanding and the benefits of integrating traditional Aboriginal knowledge with western science.
- 5.61 As both the *Aboriginal Empowerment Strategy* and the *Climate Adaptation Strategy* are relatively new, only time will tell if they are effective in meeting their intended outcomes.

Finding 74

There are a number of ways to better incorporate the perspectives of Aboriginal people in government decision-making.

555 Professor Peter Klincken, Chief Scientist of Western Australia, *Transcript of Evidence*, 14 February 2024, p. 9.

556 Arjaway, meaning ‘other way’, is a social enterprise aimed at creating social alchemy through the collective impact of enhancing individual, family and social function.

557 Dwayne Mallard, Founder and Managing Director, Arjaway, *Transcript of Evidence*, 8 May 2024, p. 6.

558 Dwayne Mallard, Founder and Managing Director, Arjaway, *Transcript of Evidence*, 8 May 2024, p. 7.

559 *ibid.*

Finding 75

The *Aboriginal Empowerment Strategy* and the *Climate Adaptation Strategy* incorporate many of the methods to strengthen Aboriginal engagement, including: the need to develop stronger relationships within the communities, the need to enhance respect and understanding and the benefits of integrating traditional Aboriginal knowledge with western science.

Recommendation 6

That the Premier continues to evaluate and look for ways to strengthen Aboriginal engagement in government decision-making.

The importance of incorporating the voices of Western Australia’s youth

- 5.62 The student climate action protests we have seen around the globe are evidence that young people are very concerned about the environment and social injustices. According to Doctors for the Environment Australia ‘[i]t is vital that young people and their voices are considered and included in ESG decision-making and outcome measurement...as children are disproportionately affected by the outcomes of such decisions’.⁵⁶⁰
- 5.63 A Climate Justice Union representative advised the Committee that many of the young people she speaks with reported feeling invalidated by the adults in their lives, especially when they discuss their concerns for the environment.⁵⁶¹
- 5.64 Another witness suggested that rather than assuming young people did not know much on the subject, adults should be ‘coming to us and wanting to hear our priorities and wanting to hear our experiences of the situation because it is our futures that are on the line here’.⁵⁶²
- 5.65 These views were reflected by the Commissioner for Children and Young People when she advised the Committee of the importance of having conversations with children and young people, rather than just to asking them questions, because ‘the conversation is where you get the breadth of information’.⁵⁶³ The Commissioner also believes ‘[w]e do not engage early with children and young people in age-appropriate ways to understand what is going on for them’.⁵⁶⁴

Finding 76

Young people are concerned about the environment and the impacts of climate change but often feel their concerns are invalidated by the adults in their lives.

560 Submission 18, Doctors for the Environment Australia, p. 6.

561 Jaime Yallup Farrant, Climate Justice Organiser and Convenor of the Climate Justice Union, *Transcript of Evidence*, 8 November 2023, p. 12.

562 Lucie O’Sullivan, Student and Research Assistant, Climate Justice Union, *Transcript of Evidence*, 8 November 2023, p. 12.

563 Jacqueline McGowan-Jones, Commissioner for Children and Young People, *Closed Transcript of Evidence*, 11 March 2024, p. 4.

564 Jacqueline McGowan-Jones, Commissioner for Children and Young People, *Transcript of Evidence*, 11 March 2024, p. 2.

How the State Government engages children and young people

- 5.66 The two main avenues for the State Government to obtain the views of children and young people in WA is through the Commissioner for Children and Young People and through youth advisory councils.

Commissioner for Children and Young People

- 5.67 In 2006, the Western Australian Parliament passed the *Commissioner for Children and Young People Act 2006* to 'consolidate its commitment to the children and young people of WA that they would live in a state where they were heard, valued, healthy and safe'.⁵⁶⁵ Under the legislation, youth is defined as under 18 years of age; however, the Commissioner would like to have that expanded to under 24 years of age to reflect the more standard definition of youth which is 14 to 24 years.⁵⁶⁶
- 5.68 The Office of the Commissioner meets with key decision makers, advises on legislation and policy through submissions and issues papers and speaks directly to Government and the broader community.⁵⁶⁷ In particular, the key functions of the Office include:
- 'Advocating for all children and young people;
 - Monitoring laws, policies and practices that affect the wellbeing of children and young people;
 - Promoting and valuing the voice of children and young people and the positive contributions they make to our society;
 - Consulting with children and young people, parents, families and government and non-government organisations;
 - Researching the latest trends and information that relate to children and young people;
 - Inquiring on behalf of children and young people about issues relating to their wellbeing'.⁵⁶⁸

Finding 77

Under the *Commissioner for Children and Young People Act 2006*, 'children and young people' are defined as people under 18 years of age. The Commissioner believes this should be extended to people under 24 years of age.

Youth Advisory Councils

- 5.69 Youth Advisory Councils or Youth Advisory Committees typically comprise a group of young people who provide advice on specific matters or to a specific group. For example, in WA the

565 Commissioner for Children and Young People Western Australia, *What we do*, nd, accessed 11 July 2024, <https://www.ccp.wa.gov.au/about-us/what-we-do/>.

566 Jacqueline McGowan-Jones, Commissioner for Children and Young People, *Transcript of Evidence*, 11 March 2024, p. 5.

567 Commissioner for Children and Young People Western Australia, *What we do*, nd, accessed 11 July 2024, <https://www.ccp.wa.gov.au/about-us/what-we-do/>.

568 *ibid.*

Department of Communities encourages local governments to ‘establish Youth Advisory Council[s] as a mechanism to engage with youth people on local matters’.⁵⁶⁹

- 5.70 Similarly, the Ministerial Youth Advisory Council (MYAC) was established ‘to provide advice to the Minister for Youth on matters relating to young people’.⁵⁷⁰ The MYAC comprises 12 young people aged 15 to 25 years, with terms of two years with a possible year extension.⁵⁷¹ The MYAC has provided advice to the Minister on topics such as youth mental health, gender reassignment laws, and the State’s infrastructure strategy.⁵⁷²
- 5.71 The State also has the Youth Affairs Council of Western Australia. This is a peak advocacy organisation that ‘seeks to address the exclusion of young people in the State’.⁵⁷³
- 5.72 The Committee made efforts to hear from both MYAC and YACWA but due to various constraints this did not happen.
- 5.73 The Commissioner for Children and Young People identified a challenge with the current operation of youth advisory councils, related to a local government’s youth advisory council. When she met with young people, they advised her they only provide comment on issues related to youth. The Commissioner believes ‘everything local government does impacts the future and the now for children and young people’; therefore, the youth advisory council should be able to comment on all local government matters.⁵⁷⁴

Finding 78

Traditionally, local governments only seek the advice from youth advisory councils on matters directly relating to young people.

Finding 79

The Commissioner for Children and Young People believes youth advisory councils should be able to provide advice on all matters, not just those relating to young people.

Finding 80

The Ministerial Youth Advisory Council was established to provide advice to the Minister for Youth on matters relating to young people.

569 Department of Communities, *Youth Advisory Councils*, 17 January 2024, accessed 11 July 2024, <https://www.wa.gov.au/organisation/departments-of-communities/youth-advisory-councils>.

570 Department of Communities, *Ministerial Youth Advisory Council*, 13 June 2024, accessed 11 July 2024, <https://www.wa.gov.au/organisation/departments-of-communities/ministerial-youth-advisory-council>.

571 *ibid.*

572 *ibid.*

573 YACWA, *About Us*, 2018, accessed 11 July 2024, <https://www.yacwa.org.au/about-us/>.

574 Jacqueline McGowan-Jones, Commissioner for Children and Young People, *Transcript of Evidence*, 11 March 2024, p. 1.

Youth Parliament

- 5.74 Western Australian currently has a Youth Parliament program run by the Y (formerly, the YMCA) and supported by the Department of Communities.⁵⁷⁵ The WA Youth Parliament is an annual event open to people aged 15 to 25, and it includes a week-long residential camp. Participants act as members representing an electorate and any bills debated reflect the ‘interests and concerns’ of WA’s youth.⁵⁷⁶ The bills that are passed through the Youth Parliament are presented to the State Government and opposition for consideration.⁵⁷⁷
- 5.75 There is a fee involved in participating in the WA Youth Parliament and interested participants must register through the Youth Parliament Taskforce. The Committee appreciated the benefits of the WA Youth Parliament, but also recognises the process attracts young people who may already be politically knowledgeable.
- 5.76 The Commissioner for Children and Young People believes Western Australia would benefit from a Youth Parliament that mirrored the structure of our Parliament in terms of representation.⁵⁷⁸ In our view, an effective youth parliament would require clear terms of reference and a defined feedback loop, where government policies can be put forward, discussed, or debated and the views of the members taken on board by the State Government.⁵⁷⁹ It would need to enable the youth members to ‘hold forums and hear from other children and young people and be able to do that in a really structured way’.⁵⁸⁰
- 5.77 Other witnesses supported the idea of a Western Australian Youth Parliament, believing ‘youths are paramount’ and a youth parliament would be ‘good step as a society as a whole’.⁵⁸¹
- 5.78 The Committee’s evidence gathering identified the Welsh Youth Parliament as a good example of a representative Youth Parliament. In October 2016, Members of the Welsh Parliament, the Senedd, voted to set up a dedicated youth parliament for Wales.⁵⁸² When establishing the Youth Parliament, the Senedd consulted over 5,000 young people across Wales to determine its aim, membership, and work.⁵⁸³

575 The Y, *The Y WA’s Youth Parliament program*, nd, accessed 11 July 2024, <https://www.ymcawa.org.au/what-we-do/youth-services/western-australian-youth-parliament>.

576 The Y, *The Y WA’s Youth Parliament program*, nd, accessed 11 July 2024, <https://www.ymcawa.org.au/what-we-do/youth-services/western-australian-youth-parliament>.

577 *ibid.*

578 Jacqueline McGowan-Jones, Commissioner for Children and Young People, *Transcript of Evidence*, 11 March 2024, p. 6.

579 *ibid.*

580 *ibid.*

581 Dwayne Mallard, Founder and Managing Director, Arjaway, *Transcript of Evidence*, 8 May 2024, pp. 8-9.

582 Welsh Youth Parliament, *About*, 2024, accessed 10 July 2024, <https://youthparliament.senedd.wales/about/>.

583 *ibid.*

5.79 The Welsh Youth Parliament consists of 60 members, aged 11 to 17 years, of which one representative is elected from each of Wales' 40 constituencies, with the remaining 20 elected from partner organisations to ensure diversity.⁵⁸⁴ The aims of the Welsh Youth Parliament are to:

- Empower Wales' young people to identify, raise awareness of and debate the issues important to them;
- Listen to young people in Wales, represent their views and act on the issues important to them;
- Work with key decision makers to raise these issues and call for change.⁵⁸⁵



MRS L.M. O'MALLEY, MLA
CHAIR

584 Welsh Youth Parliament, *What is the Welsh Youth Parliament?*, 2021, accessed 12 July 2024, <https://youthparliament.senedd.wales/media/errbc1nt/01-guide-for-young-people-what-is-wyp.pdf>.

585 *ibid.*

Appendix One

Committee's functions and powers

The Public Accounts Committee inquires into and reports to the Legislative Assembly on any proposal, matter or thing it considers necessary, connected with the receipt and expenditure of public moneys, including moneys allocated under the annual Appropriation bills and Loan Fund. Standing Order 286 of the Legislative Assembly states that:

The Committee may -

- 1 Examine the financial affairs and accounts of government agencies of the State which includes any statutory board, commission, authority, committee, or trust established or appointed pursuant to any rule, regulation, by-law, order, order in Council, proclamation, ministerial direction or any other like means.
- 2 Inquire into and report to the Assembly on any question which -
 - a) it deems necessary to investigate;
 - b) (Deleted V. & P. p. 225, 18 June 2008);
 - c) is referred to it by a Minister; or
 - d) is referred to it by the Auditor General.
- 3 Consider any papers on public expenditure presented to the Assembly and such of the expenditure as it sees fit to examine.
- 4 Consider whether the objectives of public expenditure are being achieved, or may be achieved more economically.
- 5 The Committee will investigate any matter which is referred to it by resolution of the Legislative Assembly.

Appendix Two

Submissions received

No.	Name	Position	Organisation
1	David Deverall	Chief Executive	NSW Treasury Corporation
2	Mike Salvaris	Manager	Australian National Development Index Limited
3	Michael Larkin	Managing Director and Chief Executive Officer	Treasury Corporation of Victoria
4	Michael Beer	General Manager, Rural Futures	AgriFutures
5	Michelle Andrews	Director General	Department of Water and Environmental Regulation
6	Caroline Spencer	Auditor General for Western Australia	Office of the Auditor General
7	Anthony Coates	Chief Executive Officer, South Australian Government Financing Authority	Department of Treasury and Finance – South Australian Government Financing Authority
8	Dr Rob Hough	Director, CSIRO Mineral Resources	CSIRO
9	Michael Barnes	Under Treasurer	Department of Treasury and Western Australian Treasury Corporation
10	Richard Sellers	Director General	Department of Mines, Industry Regulation and Safety ⁵⁸⁶
11	Sami Zouad	General Manager – Strategy, Planning and Performance	Fremantle Ports
12	Owen Whittle	Secretary	UnionsWA
13	Ben Palmer	Chief Executive Officer	Government Employees Superannuation Board
14	Anthony Kannis PSM	Director General	Department of Planning, Lands and Heritage
15	Beck James	Private Citizen	
16	Rebecca Tomkinson	Chief Executive Officer	The Chamber of Minerals and Energy of WA
17	Davina Rooney	Chief Executive	Green Building Council of Australia
18	Dr Genevieve Cowey	Convenor – Research, Education and Advocacy Committee	Doctors for the Environment Australia

⁵⁸⁶ On 1 December 2023, the Department of Mines, Industry Regulation and Safety was renamed Department of Energy, Mines, Industry Regulation and Safety.

Appendix Three

Hearings

Date	Name	Position	Organisation
11 October 2023	Larissa Taylor	Director and ESG Consultant	Savoir Consulting
8 November 2023	Jaime Yallup Farrant	Organiser and Convenor	Climate Justice Union
	Lucie O'Sullivan	Student and Research Assistant	Climate Justice Union
	Jacob West	First Nations Community Project Coordinator	Telethon Kids Institute; HEAL WA
29 November 2023	Rebecca Tomkinson	Chief Executive Officer	The Chamber of Minerals and Energy of WA
	Adrienne Labombard	Director, Policy and Advocacy	
	Aaron Walker	Manager, Industry Competitiveness	
14 February 2024	Professor Peter Klincken	Chief Scientist of Western Australia	Office of the Chief Scientist – Department of Jobs, Tourism, Science and Innovation
21 February 2024	Tim Milsom	Chief Executive Officer	Noongar Chamber of Commerce and Industry
11 March 2024	Jacqueline McGowan-Jones	Commissioner for Children and Young People	Commissioner for Children and Young People
	Megan Sadler	Manager, Media Communications and Engagement	
11 March 2024	Professor Peter Newman	John Curtin Distinguished Professor of Sustainability	Curtin University
11 March 2024	Brianna Peake	Chief Stakeholder Relations, Sustainability and Strategy Officer	CBH Group
	Jane Wardle	Lead, Sustainability, CBH Marketing and Trading	
18 March 2024	Michael Court	Deputy Under Treasurer	Department of Treasury
	Richard Watson	Assistant Under Treasurer, Agency Budgeting and Governance	
	Pauline Burton	Director, Financial Policy and Operations	
	Brendan Davies	Assistant Director, Financial Policy	

20 March 2024	Alistair Jones	Director General	Department of Water and Environmental Regulation
	Emily Briggs	Deputy Director General, Climate and Sustainability	
	Sarah Gill	Director, Climate Change Division	
8 May 2024	Dwayne Mallard	Founder and Managing Director	Arjaway

Appendix Four

Briefings

Date	Name	Position	Organisation
23 October 2023	Michael Larkin	Chief Executive Officer and Managing Director	Treasury Corporation of Victoria
	Mike van de Graaf	Executive Director, Risk	
	Paul Kelly	Head of Markets	
	Michelle Siekierka	General Council/Corporation Secretary	
	Rob Hibbard	Senior Project Advisor	
23 October 2023	Matt Genever	Interim Chief Executive Officer	Sustainability Victoria
23 October 2023	Kate Galvin	Chief Executive Officer	Victorian Funds Management Corporation
	Russell Clarke	Chief Investment Officer	
	Shali Lingaretnam	Head of Investment Stewardship	
24 October 2023	Michael Reid	Director, Office of the Commissioner	Commissioner for Environmental Sustainability, Victoria
	Dr Scott Rawlings	Director, Science and Reporting	
25 October 2023	Lee Holloway	Director, Women's Economic Outcomes	NSW Treasury
	Ruth Sheridan	Acting Director, Indigenous Expenditure and Outcomes	
25 October 2023	Alison Weaver	Director, Sustainable Finance	NSW Treasury
	Aleksandra Simic	Director, Social Impact Investment	
	Amy Zhu	Associate Director, Sustainable Finance	
25 October 2023	Erin-Lea Brown	Acting Director, Macroeconomy Division	NSW Treasury
	Xuan Deng	Director, Performance Budgeting Framework	
	Shweta Dey	Associate Director, Performance Budgeting Framework	
26 October 2023	Jacqueleine Moore	Executive Director, Legal, Governance and People	Environmental Protection Authority NSW
	Jackie Miles	Director, Policy and Strategy	

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	Rebecca Irwin	Acting Director, Corporate Affairs and Engagement	
	Joe Budnik	Acting Director, Risk and Governance	
26 October 2023	Jeremy Lawson	Deputy Head of Department, International Department, Executive Climate Lead	Reserve Bank of Australia
	Anna Park	Senior Manager, Climate Analysis & Policy, International Department	
26 October 2023	Dr Anthony Mitri	Deputy Chief Executive Officer, The College	University of Western Sydney, The College
27 October 2023	Jamie Merrick	Director-General	Department of Environment and Science, Queensland
	Ben Klaassen	Deputy Director-General, Queensland Parks and Wildlife Service and Partnerships	
	Liz Young	Acting Executive Director, Climate Action and Sustainable Planning	
27 October 2023	Dennis Molloy	Deputy Under Treasurer	Queensland Treasury
	Edwin Dewan	Director, Economic Policy	
	Lachlan Whitta	Manager, Balance Sheet and Sustainable Finance	
	Susan Buckley	Managing Director, Funding and Markets	Queensland Treasury Corporation
	Jose Fajardo	Executive Director, Head of Funding and Liquidity	
	James Brown	Principal, Funding and Markets Division	

Appendix Five

Glossary

Term	Definition
Anthropogenic ⁵⁸⁷	Resulting from or produced by human activities.
Climate finance [^]	The term 'climate finance' is applied to the financial resources devoted to addressing climate change by all public and private actors from global to local scales, including international financial flows to developing countries to assist them in addressing climate change. Climate finance aims to reduce net greenhouse gas emissions and/or to enhance adaptation and increase resilience to the impacts of current and projected climate change. Finance can come from private and public sources, channelled by various intermediaries, and is delivered by a range of instruments, including grants, concessional and non-concessional debt, and internal budget reallocations.
Climate resilience ^{~588}	The capacity of an entity to adjust to climate-related changes, developments or uncertainties. Climate resilience involves the capacity to manage climate-related risks and benefit from climate-related opportunities, including the ability to respond and adapt to climate-related transition risks and climate-related physical risks. An entity's climate resilience includes both its strategic resilience and its operational resilience to climate-related changes, developments and uncertainties.
Climate-related physical risks [~]	Risks resulting from climate change that can be event-driven (acute physical risk) or from longer-term shifts in climatic patterns (chronic physical risk). Acute physical risks arise from weather-related events such as storms, floods, drought or heatwaves, which are increasing in severity and frequency. Chronic physical risks arise from longer-term shifts in climatic patterns including changes in precipitation and temperature which could lead to sea level rise, reduced water availability, biodiversity loss and changes in soil productivity. These risks could carry financial implications for an entity, such as costs resulting from direct damage to assets or indirect effects of supply-chain disruption. The entity's financial performance could also be affected by changes in water availability, sourcing and quality; and extreme temperature changes affecting the entity's premises, operations, supply chains, transportation needs and employee health and safety.
Climate-related risks [~]	The potential negative effects of climate change on an entity. These risks are categorised as climate-related physical risks and climate-related transition risks.
Climate-related opportunities [~]	The potential positive effects arising from climate change for an entity. Efforts to mitigate and adapt to climate change can produce climate-related opportunities for an entity.

587 [^] - The definition for all terms with this symbol is taken from: Intergovernmental Panel on Climate Change, *Synthesis Report of the IPCC Sixth Assessment Report Annex I - Glossary*, IPCC, Geneva, 2023.

588 [~] - The definition for all terms with this symbol is taken from: IFRS Foundation, *IFRS S2 Climate-related Disclosures*, International Sustainability Standards Board, 2023, pp. 19-22.

Appendix Three

Climate-related transition plan [~]	An aspect of an entity's overall strategy that lays out the entity's targets, actions or resources for its transition towards a lower-carbon economy, including actions such as reducing its greenhouse gas emissions.
Climate-related transition risks [~]	Risks that arise from efforts to transition to a lower-carbon economy. Transition risks include policy, legal, technological, market and reputational risks. These risks could carry financial implications for an entity, such as increased operating costs or asset impairment due to new or amended climate-related regulations. The entity's financial performance could also be affected by shifting consumer demands and the development and deployment of new technology.
CO2 equivalent [~]	The universal unit of measurement to indicate the global warming potential of each greenhouse gas, expressed in terms of the global warming potential of one unit of carbon dioxide. This unit is used to evaluate releasing (or avoiding releasing) different greenhouse gases against a common basis.
Disclosure topic [~]	A specific sustainability-related risk or opportunity based on the activities conducted by entities within a particular industry as set out in an IFRS Sustainability Disclosure Standard or a SASB Standard.
ESG Investing ^{#589}	Responsible Investing, also known as ESG Investing, refers to strategies and practices that incorporate material environmental, social and governance (ESG) factors in investment decisions and active ownership with a view to minimise risks and maximise returns. It can be pursued by all investors as part of their fiduciary duty on the basis that ESG factors are considered as having a material impact on returns.
Green finance [#]	Green Finance is broader than Climate Finance in that it also addresses other environmental objectives such as natural resource conservation, biodiversity conservation, and pollution prevention and control.
Greenhouse gases [~]	The seven greenhouse gases listed in the Kyoto Protocol— carbon dioxide (CO2); methane (CH4); nitrous oxide (N2O); hydrofluorocarbons (HFCs); nitrogen trifluoride (NF3); perfluorocarbons (PFCs) and sulphur hexafluoride (SF6).
Indigenous knowledge [^] (Aboriginal knowledge)	The understandings, skills and philosophies developed by societies with long histories of interaction with their natural surroundings. For many Indigenous Peoples, IK informs decision-making about fundamental aspects of life, from day-to-day activities to longer term actions. This knowledge is integral to cultural complexes, which also encompass language, systems of classification, resource use practices, social interactions, values, ritual and spirituality. These distinctive ways of knowing are important facets of the world's cultural diversity.
Indirect greenhouse gas emissions [~]	Emissions that are a consequence of the activities of an entity, but occur at sources owned or controlled by another entity.

589 # - The definition for all terms with this symbol is taken from: International Capital Market Association, *Sustainable Finance High-level definitions*, Zurich, May 2020, pp. 4-5.

Interim target* ⁵⁹⁰	Refers to a short-term milestone between the organization's medium- or long-term target and current period.
Mitigation (of climate change)^	A human intervention to reduce emissions or enhance the sinks of greenhouse gases.
Net zero CO ₂ emissions^	Condition in which anthropogenic carbon dioxide (CO ₂) emissions are balanced by anthropogenic CO ₂ removals over a specified period. [Note: Carbon neutrality and net zero CO ₂ emissions are overlapping concepts. The concepts can be applied at global or sub-global scales. At a global scale, the terms carbon neutrality and net zero CO ₂ emissions are equivalent. At sub-global scales, net zero CO ₂ emissions is generally applied to emissions and removals under direct control or territorial responsibility of the reporting entity, while carbon neutrality generally includes emissions and removals within and beyond the direct control or territorial responsibility of the reporting entity.]
Pathways^	The temporal evolution of natural and/or human systems towards a future state. Pathway concepts range from sets of quantitative and qualitative scenarios or narratives of potential futures to solution-oriented decision-making processes to achieve desirable societal goals. Pathway approaches typically focus on biophysical, techno-economic and/or socio-behavioural trajectories and involve various dynamics, goals and actors across different scales.
Scenario analysis*	A process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty. In the case of climate change, for example, scenarios allow an organization to explore and develop an understanding of how the physical and transition risks of climate change may impact its businesses, strategies, and financial performance over time.
Scope 1 greenhouse gas emissions~	Direct greenhouse gas emissions that occur from sources that are owned or controlled by an entity.
Scope 2 greenhouse gas emissions~	Indirect greenhouse gas emissions from the generation of purchased or acquired electricity, steam, heating or cooling consumed by an entity. Purchased and acquired electricity is electricity that is purchased or otherwise brought into an entity's boundary. Scope 2 greenhouse gas emissions physically occur at the facility where electricity is generated.
Scope 3 greenhouse gas emissions~	Indirect greenhouse gas emissions (not included in Scope 2 greenhouse gas emissions) that occur in the value chain of an entity, including both upstream and downstream emissions. Scope 3 greenhouse gas emissions include the Scope 3 categories in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011).

590 * - The definition for all terms with this symbol is taken from: Task Force on Climate-related Financial Disclosures, *Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures*, October 2021, pp. 82-84.

Appendix Three

<p>Scope 3 categories~</p>	<p>Scope 3 greenhouse gas emissions are categorised into these 15 categories—as described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011):</p> <ul style="list-style-type: none"> (1) purchased goods and services; (2) capital goods; (3) fuel- and energy-related activities not included in Scope 1 greenhouse gas emissions or Scope 2 greenhouse gas emissions; (4) upstream transportation and distribution; (5) waste generated in operations; (6) business travel; (7) employee commuting; (8) upstream leased assets; (9) downstream transportation and distribution; (10) processing of sold products (11) use of sold products; (12) end-of-life treatment of sold products; (13) downstream leased assets; (14) franchises; and (15) investments.
<p>Sustainable finance#</p>	<p>Sustainable Finance incorporates climate, green and social finance while also adding wider considerations concerning the longer-term economic sustainability of the organisations that are being funded, as well as the role and stability of the overall financial system in which they operate.</p>
<p>Taxonomy#</p>	<p>Taxonomy, in the context of sustainable finance, is a classification system identifying activities, assets, and/or project categories that deliver on key climate, green, social or sustainable objectives with reference to identified thresholds and/or targets.</p>
<p>Value chain~</p>	<p>The full range of interactions, resources and relationships related to a reporting entity’s business model and the external environment in which it operates. A value chain encompasses the interactions, resources and relationships an entity uses and depends on to create its products or services from conception to delivery, consumption and end-of-life, including interactions, resources and relationships in the entity’s operations, such as human resources; those along its supply, marketing and distribution channels, such as materials and service sourcing, and product and service sale and delivery; and the financing, geographical, geopolitical and regulatory environments in which the entity operates.</p>

Appendix Six

Commonwealth Department of Treasury – Key reform timeline⁵⁹¹

Priority	2024		2025	2026	Ongoing and future
	<p>Implementing climate-related financial disclosure requirements</p> <p>27 March 2024: Legislation introduced to Parliament</p> <p>AASB and AUASB to finalise climate disclosure and assurance standards, requirements.</p> <p>ASIC to issue guidance to support compliance with climate disclosure requirements.</p>	<p>1 January 2025: Climate disclosure obligations commence for Group 1 entities, subject to passage of legislation</p>	<p>1 July 2026: Obligations commence for Group 2 entities</p> <p>1 July 2027: Obligations commence for Group 3 entities.</p> <p>From 2028: Treasury will conduct a review of climate disclosure requirements in 2028–29 and continue to monitor development of international sustainability-related financial disclosure frameworks.</p>	<p>1 July 2027: Obligations commence for Group 3 entities.</p> <p>From 2028: Treasury will conduct a review of climate disclosure requirements in 2028–29 and continue to monitor development of international sustainability-related financial disclosure frameworks.</p>	<p>1 July 2027: Obligations commence for Group 3 entities.</p> <p>From 2028: Treasury will conduct a review of climate disclosure requirements in 2028–29 and continue to monitor development of international sustainability-related financial disclosure frameworks.</p>
<p>Developing the Australian Sustainable Finance Taxonomy</p> <p>May 2024: ASFI commences public consultation on technical screening criteria for initial three sectors.</p> <p>Late 2024: ASFI to deliver technical screening criteria for six priority sectors against climate mitigation objective.</p> <p>Mid 2025: ASFI to make initial taxonomy available for use by firms, investors and regulators on a voluntary basis.</p> <p>Mid 2025: Government to review voluntary taxonomy developed by ASFI and explore initial use cases for sustainable finance taxonomies in the financial and regulatory architecture. Government to consider relevant governance arrangements for the taxonomy.</p>	<p>1 January 2025: Treasury will publish best practice guidance on transition plan disclosures.</p> <p>By end 2025: Treasury will publish best practice guidance on transition plan disclosures.</p>	<p>1 July 2026: Obligations commence for Group 2 entities</p>	<p>1 July 2027: Obligations commence for Group 3 entities.</p> <p>From 2028: Treasury will conduct a review of climate disclosure requirements in 2028–29 and continue to monitor development of international sustainability-related financial disclosure frameworks.</p>	<p>1 July 2027: Obligations commence for Group 3 entities.</p> <p>From 2028: Treasury will conduct a review of climate disclosure requirements in 2028–29 and continue to monitor development of international sustainability-related financial disclosure frameworks.</p>	
<p>Supporting credible net zero transition planning</p> <p>Late 2024–early 2025: Treasury consultation on supporting best practice transition plan disclosures.</p>	<p>By end 2025: Treasury will publish best practice guidance on transition plan disclosures.</p>	<p>1 July 2026: Obligations commence for Group 2 entities</p>	<p>1 July 2027: Obligations commence for Group 3 entities.</p> <p>From 2028: Treasury will conduct a review of climate disclosure requirements in 2028–29 and continue to monitor development of international sustainability-related financial disclosure frameworks.</p>	<p>1 July 2027: Obligations commence for Group 3 entities.</p> <p>From 2028: Treasury will conduct a review of climate disclosure requirements in 2028–29 and continue to monitor development of international sustainability-related financial disclosure frameworks.</p>	
<p>Developing sustainable investment product labels</p> <p>Mid-2025: Treasury consultation on developing sustainable investment product labels.</p>	<p>By end 2025: Treasury will publish best practice guidance on transition plan disclosures.</p>	<p>1 July 2026: Obligations commence for Group 2 entities</p>	<p>1 July 2027: Obligations commence for Group 3 entities.</p> <p>From 2028: Treasury will conduct a review of climate disclosure requirements in 2028–29 and continue to monitor development of international sustainability-related financial disclosure frameworks.</p>	<p>1 July 2027: Obligations commence for Group 3 entities.</p> <p>From 2028: Treasury will conduct a review of climate disclosure requirements in 2028–29 and continue to monitor development of international sustainability-related financial disclosure frameworks.</p>	
<p>Issuing Australian sovereign Green Bonds</p> <p>4 June 2024: AOFM issues first Treasury Green Bond.</p>	<p>By end 2025: The Government will publish first annual allocation and impact reporting.</p>	<p>1 July 2026: Obligations commence for Group 2 entities</p>	<p>1 July 2027: Obligations commence for Group 3 entities.</p> <p>From 2028: Treasury will conduct a review of climate disclosure requirements in 2028–29 and continue to monitor development of international sustainability-related financial disclosure frameworks.</p>	<p>1 July 2027: Obligations commence for Group 3 entities.</p> <p>From 2028: Treasury will conduct a review of climate disclosure requirements in 2028–29 and continue to monitor development of international sustainability-related financial disclosure frameworks.</p>	
<p>Addressing data and analytical challenges</p> <p>Early 2025: CFR to provide advice to Government on options to address sustainability data gaps and challenges.</p>	<p>By end 2025: Treasury will publish best practice guidance on transition plan disclosures.</p>	<p>1 July 2026: Obligations commence for Group 2 entities</p>	<p>1 July 2027: Obligations commence for Group 3 entities.</p> <p>From 2028: Treasury will conduct a review of climate disclosure requirements in 2028–29 and continue to monitor development of international sustainability-related financial disclosure frameworks.</p>	<p>1 July 2027: Obligations commence for Group 3 entities.</p> <p>From 2028: Treasury will conduct a review of climate disclosure requirements in 2028–29 and continue to monitor development of international sustainability-related financial disclosure frameworks.</p>	
<p>Identifying and responding to systemic financial risks</p> <p>Late 2024: A-PRU will engage with stakeholders to review Prudential Practice Guide CPC 229 Climate Change Financial Risks.</p>	<p>By end 2025: Treasury will publish best practice guidance on transition plan disclosures.</p>	<p>1 July 2026: Obligations commence for Group 2 entities</p>	<p>1 July 2027: Obligations commence for Group 3 entities.</p> <p>From 2028: Treasury will conduct a review of climate disclosure requirements in 2028–29 and continue to monitor development of international sustainability-related financial disclosure frameworks.</p>	<p>1 July 2027: Obligations commence for Group 3 entities.</p> <p>From 2028: Treasury will conduct a review of climate disclosure requirements in 2028–29 and continue to monitor development of international sustainability-related financial disclosure frameworks.</p>	

Led by: Government, Industry

591 Treasury (Cth), *Sustainable Finance Roadmap*, June 2024, p. 15.



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