



14 July 2023

By Email: [consultation@climatechangeauthority.gov.au](mailto:consultation@climatechangeauthority.gov.au)

To whom it may concern

## Setting, tracking and achieving Australia's emissions reduction targets

The Australian Banking Association (ABA) welcomes the opportunity to provide a short submission to the Climate Change Authority's (CCA) consultation on *Setting, tracking and achieving Australia's emissions reduction targets*.

This short submission highlights the significance of data availability towards tracking and achieving Australia's emissions reduction targets.

Broadly speaking, data availability is globally recognised as a key enabler of emissions reduction.<sup>1</sup> The Treasury consultation *Climate-related financial disclosure* (ongoing at time of writing) recognises these data challenges and has noted that the Government's forthcoming *Sustainable Finance Strategy* will address this issue in more detail.<sup>2</sup> Finally, the *Climate Vulnerability Assessment* found that climate-related data quality and accessibility remain a challenge.<sup>3</sup>

The ABA would welcome the opportunity to continue our engagement with the CCA on these matters.

Yours sincerely

Merric Foley  
**Policy Director**

### About the ABA

The Australian Banking Association advocates for a strong, competitive and innovative banking industry that delivers excellent and equitable outcomes for customers. We promote and encourage policies that improve banking services for all Australians, through advocacy, research, policy expertise and thought leadership.

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<sup>1</sup> See for example: PCAF, CDP (June 2023) [The importance of data quality in the journey toward decarbonization](#); and NGFS (July 2022) [Final report on bridging data gaps](#).

<sup>2</sup> Commonwealth Treasury (June 2023) [Climate-related financial disclosure](#) 18

<sup>3</sup> APRA (November 2022) [Information Paper – Climate Vulnerability Assessment Results](#) 9



## Appendix: Response to Selected Questions

### Question 4. What more could the Government do to help you reduce your carbon footprint?

The ABA notes that the Australian Government has introduced (or is consulting on) a wide range of reforms over the past twelve months, including:

- Legislating Australia's national commitment to reduce greenhouse gas emissions by 43 per cent below 2005 levels by 2030.
- Reforming the safeguard mechanism and Australian carbon credit units.
- Establishing a Net Zero Authority to support workers, industries, and communities during the transition.
- Consulting on the introduction of mandatory climate-related financial disclosures.
- Supporting the development of a Sustainable Finance Taxonomy.
- Flagging further forthcoming reforms, including the Sustainable Finance Strategy.

As outlined in the covering letter, we wish to highlight a key enabler of the above – namely, an appropriate strategy to improve the quality and breadth of Australia's climate data. The ABA made the following comments in an earlier submission to the Treasury consultation on *Mandating Climate-related Financial Disclosures*:<sup>4</sup>

- Data challenges are globally recognised.<sup>5</sup> Bank financing covers activity across the breadth of the Australian economy, and beyond. Reporting on Scope 3 emissions relies on customer and supplier emissions data. Without this data, banks will need to use proxies to achieve a reasonable benchmark. As mandatory reporting requirements are phased in across the economy, the quality and accuracy of bank disclosures will improve.
- Alongside data from suppliers and customers, there is a need for common physical and transitional climate risk data, which is a prerequisite for standardised risk reporting. This need will become more acute as climate reporting requirements begin to apply across a greater range of entities and begin to bring smaller companies into scope. Government support, via the provision of existing data or the creation of new data, will be a critical input to managing compliance costs and other risks, improving consistency and ensuring all reporting entities have access to comparable data.
- There is a role for centrally coordinated collection and provision of data by an independent entity. The ABA would welcome the opportunity to work with Government to explore opportunities for collaboration.

The ABA has identified a range of practical opportunities for data uplift, and we would welcome further engagement with the Climate Change Authority (CCA). Examples of potential opportunities include:

- Climate scenarios that are appropriately downscaled to account for the unique characteristics of the Australian natural environment and economy.
- Agricultural GHG emissions factors at the sub-sectoral level via the national accounts would allow for more accurate top-down calculations, which would support the accuracy of Scope 3 emissions calculations.
- Spatial datasets that estimate emissions from land use change, including improved clarity around definitions and measurements across states.

<sup>4</sup> ABA (February 2023) [Submission to Treasury Consultation – Climate-related Financial Disclosures](#)

<sup>5</sup> See discussion in covering letter for references.



- Datasets, potentially aligned to the Disaster Ready Fund, that provide a comprehensive view of the resilience and mitigation measures that Australian Governments (state and federal) are undertaking.
- Natural approach to natural peril information, including information on hazards including flood information, coastal information, coastal erosion, cyclone estimates, bushfire, hail, and so on.
- More granular household energy statistics, which would allow for more precise calculation of Scope 3 financed emissions and better targeting of financing tools.

Over time, data requirements will almost certainly be subject to change. For example:

- Global understanding of best practice climate scenario analysis continues to evolve (see reports from the Bank of England<sup>6</sup> and European Central Bank).<sup>7</sup> As methodologies and practices develop, this may give rise to new data requirements.
- Global standards<sup>8</sup> allow for financed emissions to be calculated on either a top-down basis (via use of averages and/or proxies) or based on actual activity. There may be opportunities in the near-term to improve estimations of emissions based on updating or improving the quality of national averages or accounts – even though the longer-term goal may be to move towards activity-based calculations.

The desired end-state is more broadly accessible and higher quality climate data that is made available to businesses across the Australian economy, at least sufficient to meet growing regulatory expectations that banks and other businesses consider and report on climate-related financial risks. As outlined in the earlier ABA submissions, we view that there is a role for centrally-coordination collection and provision of data by an independent entity.<sup>9</sup>

## Question 5. What are the other challenges and opportunities the global context presents Australia with in responding to climate change?

In addition to the global developments that the CCA has identified in the consultation paper, a further area is the growing demand, noted by the Treasurer in December 2022, of capital markets and investors for quality, comparable information on climate risks. This will require continued attention to ensure that Australia is aligned with global evolving standards. Additionally, an Australian sustainable finance taxonomy will be important to continuing to attract global investment.

## Question 12. What factors should the Authority consider when developing sectoral decarbonisation pathways?

The feel that the key principles the CCA should consider when developing sectoral decarbonisation pathways are that they be science-based, determined by experts and usable by a range of organisations.

Further, as the consultation notes, there has been substantial work already undertaken on sectoral pathways by a range of organisations. The CCA's greatest value would be additive to what is already existing.

- ENDS -

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<sup>6</sup> BoE (March 2023) [Report on climate-related risks and the regulatory capital framework](#)

<sup>7</sup> ECB (December 2022) [Report on good practices for climate stress testing](#)

<sup>8</sup> PCAF (December 2022) [Financed Emissions – The Global GHG Accounting and Reporting Standard](#)

<sup>9</sup> ABA (February 2023) [Submission to Treasury Consultation – Climate-related Financial Disclosures](#)