

17 February 2023

Climate Disclosure Unit
Market Conduct Division
The Treasury
Langton Crescent
Parkes ACT 2600

Submitted via email: climatereportingconsultation@treasury.gov.au

Dear Sir/Madam,

Climate-related financial disclosure – consultation paper

Hydro Tasmania welcomes the opportunity to comment on the Australian Treasury's consultation paper regarding climate-related financial disclosures.

Hydro Tasmania is Australia's largest renewable energy generator, generating approximately 9,000 gigawatt hours of dispatchable energy from our hydropower assets annually. We are also an integrated energy business, with our Victorian-based retailer Momentum Energy serving residential and business electricity and gas customers on mainland Australia and the Bass Strait Islands. Hydro Tasmania is also a member of the Australian Financial Markets Association (AFMA) and the Australian Energy Council (AEC) and support their respective submissions made to this consultation.

Hydro Tasmania supports the introduction of an internationally consistent climate-related financial disclosures framework in Australia. Investors, customers and stakeholders are increasingly expecting businesses to be transparent around climate-related risks and opportunities and their impact on a business' operations, governance, strategy and financial results. However, we note that there is currently a capability gap within Australian organisations in being able to comply with mandatory climate-related reporting.

Hydro Tasmania would highlight the importance of the following in creating an Australian climate-related financial disclosure framework:

- **Phasing of mandatory disclosures is appropriate:** Hydro Tasmania supports the Treasury's proposal that initially large, listed entities and financial institutions would be covered entities, with smaller listed entities and other organisations being covered at a later date. Many large public entities are already voluntarily disclosing some climate-related risks and opportunities and will have greater resources and human resource capability to adapt to

these new reporting requirements. For future phases of mandatory requirements, there should be a focus on entities that are exposed to specific material risks (e.g. those with exposure to emissions-intensive commodities/markets). This will assist in making investment decisions and broader risk management.

- **The operating and financial review is the appropriate location for climate disclosures:** Hydro Tasmania supports reporting climate-related financial disclosures alongside the financial report, within the operating and financial review of the annual report. This is consistent with current ASIC regulatory guidance. Given the current capability gap among financial auditors, we also suggest facility for a separate assurance statement over climate-related disclosures, performed by a specialised climate-related assurance industry (different to financial auditors), may be a preferred option. This would allow the assurance industry to develop the human resources to service the assurance of climate-related disclosures appropriately.
- **Duplication and timing of reporting requirements must be addressed:** we note that there are existing emissions reporting frameworks in Australia that many organisations already report under, namely the National Greenhouse and Energy Reporting Scheme (NGERS). Treasury should consider how to limit duplication of reporting requirements to reduce the compliance burden on Australian businesses. Of particular importance is the timing of reporting deadlines - the deadline for NGERS reporting is 31 October each year; which differs from the due date for financial reports (also with varying deadlines for different entities). Additionally, for government-owned businesses such as Hydro Tasmania there is also often a due date by which their annual report must be tabled in parliament. There needs to be clarification of these timeframes, ideally seeking alignment (and/or allowing some flexibility) to reduce regulatory complexity for organisations.
- **Scenario analysis should include a standard climate scenario to ensure comparability:** The ability of interested parties to compare organisations' climate disclosures will depend on consistency in the climate scenarios that are included in the external environment scan. Treasury should engage with the Australian Climate Service and other relevant entities to establish a set of preferred Paris Agreement-aligned socio-economic response scenarios that organisations use for their scenario analysis and reporting. These could include existing scenarios developed by (for example) the International Energy Agency, International Panel on Climate Change, Australian Energy Market Operator Integrated System Plan scenarios and others as appropriate. Organisations should have the flexibility to report against other additional scenarios beyond this mandatory requirement (or to include these as an input to 'driving forces' style scenario analyses). With this flexibility, reporting entities would need to explain the differences between their chosen scenario/s and the base scenario.
- **Mandatory scope 3 reporting should be considered at a later stage:** Hydro Tasmania supports a phased approach to the reporting of Scope 3 emissions under a climate-related financial disclosure framework for the following reasons:
 - Scope 3 emissions are very business-specific, and therefore the ability for investors to make comparisons is more limited, reducing the usefulness of this information;
 - Calculating and understanding an organisation's scope 3 emissions is complex and time-consuming for many organisations; and

- Accurate reporting of scope 3 emissions requires emissions data from an organisations' suppliers and customers across the supply chain, which may not be available in the first stage of these reforms (and will not temporally align even once other entities are covered under the framework).

Hydro Tasmania looks forward to being engaged in future consultation as the climate-related disclosure framework emerges in more detail. If you have any questions regarding this submission or wish to discuss the issues raised further, please contact myself [REDACTED] or [REDACTED].

Yours sincerely,

[REDACTED]

[REDACTED]

Manager Policy Development