Blacktown City Council

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File no: F19/584

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Market Conduct Division
The Treasury
Australian Government
Langton Crescent
PARKS ACT 2600

by email: climatereportingconsultation@treasury.gov.au

Submission - Climate related financial disclosure

Thank you for the opportunity to comment on your consultation paper about climate related financial disclosure.

While councils are outside of the regulatory scope of the proposed reform, we support the changes to climate reporting for financial institutions.

We also advocate for standards that can apply to public sector entities governed by relevant state or territory legislation.

We are the largest council in NSW, by population, with over 400,000 residents. We currently report on our annual carbon footprint as specified by the Climate Active standard for organisations and the community greenhouse gas emissions through the Global Covenant of Mayors.

We will be reporting this to Council's Ordinary meeting on Wednesday 22 February 2023 and may provide further comment at this time.

Our submission is set out on the following pages.

If you have any queries, please contact our Coordinator Sustainability And Resilience, [redacted] on [redacted]

Yours faithfully

[redacted]

Manager Environment

Consultation paper question		Our comment
2.1	What considerations should apply to determining the cohorts covered in subsequent phases of mandatory disclosure, and the timing of future phases?	We support a phased approach as suggested in the paper to allow for better quality reporting.
3	To which entities should mandatory climate disclosures apply initially?	State and local government (through state legislation) should be included in a similar regime that applies to public entities. The combined impact of these entities is a significant proportion of the Australian economy, and they should all be captured by the obligation to quantify risk and report on emissions.
4.1	Are there particular considerations that should apply in the Australian context regarding the ISSB implementation of disclosures relating to: governance, strategy, risk management and/or metrics and targets?	If this change were to apply to public entities and local government, reporting should include embodied carbon in physical works (civil works and buildings).
6	Where should new climate reporting requirements be situated in relation to other periodic reporting requirements? For instance, should they continue to be included in an operating and financial review, or in an alternative separate report included as part of the annual report?	It is good practice to include environmental reporting as a core part of annual reporting, rather than as a side issue. This helps to mainstream environmental performance and issues.
7	What considerations should apply to materiality judgements when undertaking climate reporting, and what should be the reference point for materiality (for instance, should it align with ISSB guidance on materiality and is enterprise value a useful consideration)?	In the case of local government, as is likely the case with financial entities, there is little consideration of future obligations that will accrue as a result of climate change and we have not attempted to quantify this. Particularly for coastal councils and the states, the obligations concerning adjustment to infrastructure because of sea level rise and flood storm severity change are enormous.
8	What level of assurance should be required for climate disclosures, who should provide assurance (for instance, auditor of the financial report or other expert), and should assurance providers be subject to independence and quality management standards?	External assurance for carbon accounting should be provided by carbon accounting specialists, who should apply reality checks to calculation methodology, the applicability of relevant emission factors and data quality control. We currently use and are certified through Climate Active which provides a good example of GHG reduction certification.

Consultation paper question		Our comment
9	What considerations should apply to requirements to report emissions (Scope 1, 2 and 3) including use of any relevant Australian emissions reporting frameworks?	Australian standards such as Climate Active and the National Greenhouse and Energy Reporting System (NGER) are largely based upon the Greenhouse Gas Protocol, so should align well with international reporting schemes. Scope 3, particularly embodied carbon emissions of building materials, should be considered.
10	Should a common baseline of metrics be defined so that there is a degree of consistency between disclosures, including industry-specific metrics?	The calculation of embodied energy in building materials can be challenging (because of the huge number of elements in any building of any significant scale and the variability of individual building elements). We suggest that some mandated metrics around this would be useful. We also suggest that the approach of there being a set of mandated embodied energy factors, in parallel with a voluntary ability to calculate the actual amounts, where such calculation will deliver a more accurate measurement, should be built into the system.
11	What considerations should apply to ensure covered entities provide transparent information about how they are managing climate related risks, including what transition plans they have in place and any use of greenhouse gas emissions offsets to meet their published targets?	Covered entities should be required to report on Scope 1, 2 and 3 emissions, third party and supplier relationships, investment in carbon abatement projects and meeting minimum environmental sustainability goals (ESG) expectations.
12	Should particular disclosure requirements and/or assurance of those requirements commence in different phases, and why?	If the changes were to apply to public entities and local government, we support New Zealand's approach of working toward assurance. This will, for local government in NSW, force a commonality of assessment and reporting which will be beneficial to the community.
13.2	Are there any specific initiatives in comparable jurisdictions that may assist users and preparers of this information in addressing these challenges?	A commonly agreed upon data taxonomy could support the consistency, collection, tagging, storage and access to data as well as machine readability of information. Several other countries have mandatory climate risk disclosures already, including the UK, the EU, Switzerland, Hong Kong, Japan, Singapore and New Zealand.

Consultation paper question		Our comment
14	Regarding any supporting information necessary to meet required disclosures (for instance, climate scenarios), is there a case for a particular entity or entities to provide that information and the governance of such information?	Financial entity strategies should consider different scenarios (example 2° Celsius or lower temperature rise). An organisation's disclosure of how its strategies might change to address potential climate-related risks and opportunities is a key step to better understanding the potential implications of climate changes. Standardised scenarios should be developed to drive consistency on data, assumptions and approach for disclosure.
18	Should digital reporting be mandated for sustainability risk reporting? What are the barriers and costs for implementing digital reporting?	We have found digital reporting makes information much more accessible and speeds up the reporting process. It allows for standardisation efforts in reporting. A unified digital platform for reporting can also be instructive for reporting institutions and provide more ready guidance throughout the reporting process. The Carbon Disclosure Project provides a good example for a digital reporting platform.