

Consultation workshops on transition planning guidance for Australian businesses

Report on workshops hosted by the NSW Office of Energy and Climate Change, the NSW Treasury and the Commonwealth Treasury in August and September 2023

October 2023

Acknowledgment of Country

We acknowledge that Aboriginal and Torres Strait Islander peoples are the First Peoples and Traditional Custodians of Australia, and the oldest continuing culture in human history.

We pay respect to Elders past and present and commit to respecting the lands we walk on, and the communities we walk with.

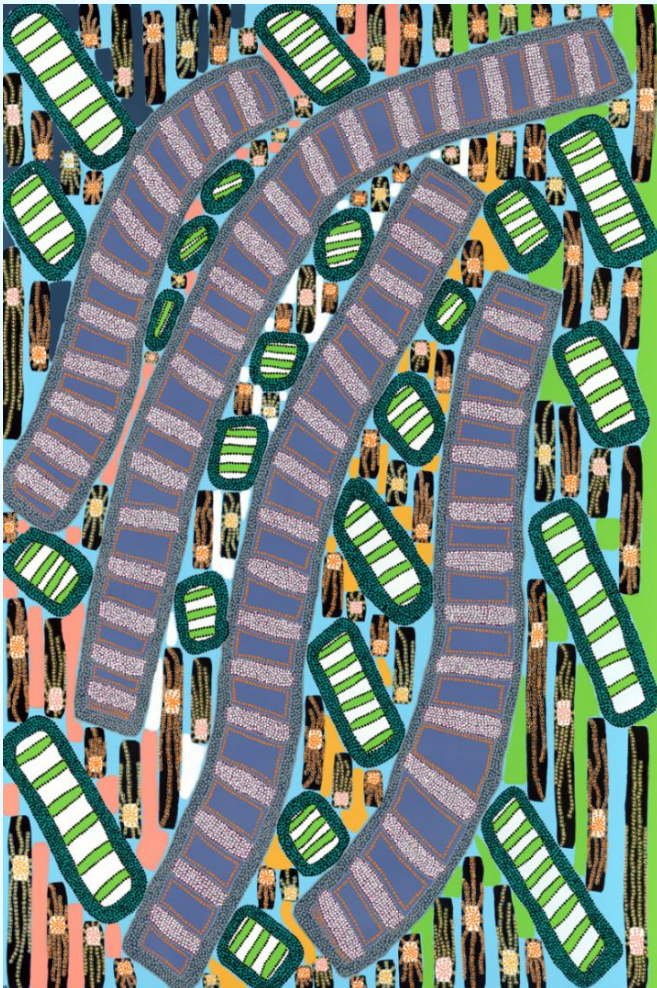
We celebrate the deep and enduring connection of Aboriginal and Torres Strait Islander peoples to Country and acknowledge their continuing custodianship of the land, seas and sky.

We acknowledge the ongoing stewardship of Aboriginal and Torres Strait Islander peoples, and the important contribution they make to our communities and economies.

We reflect on the continuing impact of government policies and practices, and recognise our responsibility to work together with and for Aboriginal and Torres Strait Islander peoples, families and communities, towards improved economic, social and cultural outcomes.

Artwork:

Regeneration by Josie Rose



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List of abbreviations

ACCC	Australian Competition & Consumer Commission
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
CFFR	Council on Federal Financial Relations
DCCEEW	Department of Climate Change, Energy, the Environment and Water
EPA	Environment Protection Authority
GFANZ	Glasgow Financial Alliance for Net Zero
IFRS	International Financial Reporting Standards
IGGC	Investor Group on Climate Change
ISSB	International Sustainability Standards Board
IOSCO	International Organisation of Securities Commissions
NGER Act (2007)	National Greenhouse and Energy Reporting Act (2007)
OECC	NSW Office of Energy and Climate Change
TCFD	Task Force on Climate-Related Financial Disclosure
TPT	Transition Plan Taskforce

Executive Summary

Net Zero or climate-related transition plans (referred to as ‘transition plans’ in this report) lay out an entity’s targets and actions as it transitions towards net zero greenhouse gas emissions. Transition plans can assist organisations to:

- Identify and respond to climate change risks and opportunities in a structured and strategic way.
- Disclose information on their response to customers, investors and other stakeholders.

While some organisations have been integrating climate change considerations into their planning and public disclosure processes for many years, the focus on transition plans has received heightened attention as many more organisations announce net zero targets and their stakeholders seek information on how those targets will be achieved.

There are various transition planning frameworks, guidance materials and approaches in place or under development internationally and in Australia. At this time however, there is no agreed standard that articulates how transition plans should be developed, what content they should include and how they should be communicated to stakeholders.

Acknowledging the growing importance of transition plans, in August and September 2023, the NSW Office of Energy and Climate Change (OECC) and the NSW and Commonwealth Treasuries hosted four online consultation workshops with representatives from government jurisdictions, industry (peak bodies and selected businesses), the financial sector and regulators.

The aim of the workshops was to explore whether a nationally consistent approach to transition planning is needed, what guidance would assist organisations and how efforts can best be coordinated.

The workshops highlighted that there is a very clear need for transition plan guidance and the development of such guidance depends upon a strong understanding of what ‘transition’ means at the economy-wide, sectoral and entity levels. Definitions and approaches to developing transition plans continue to emerge and it is important that any guidance that is developed considers a number of key principles and considerations.

The key principles and considerations that emerged from the workshops are:

1. *Guidance should acknowledge that entity-level transition plans support economy-wide transitions to net zero in multiple ways*

Discussions with participants throughout the workshops confirmed that transition planning and the disclosure of plans at an entity level are essential to support efficient and timely progress towards net zero. Participant input highlighted that transition plans are important to and used by stakeholders in different ways. For example:

- Entities develop internally focused transition plans as part of their planning processes to identify climate-related risks and opportunities and inform the development of policies, goals and targets. They also use modified versions of internal transition plans for public disclosure to inform stakeholders of their actions and progress towards net zero.
- Financial institutions draw on publicly available transition plans to inform their investment decisions and to develop their own transition plans.
- Government departments provide support for transition plans to assist entities to improve their approach to climate risks and opportunities and to inform policy development.
- Regulators use transition plans to assess alignment with climate-related regulatory priorities. For example, consistent with other EPAs the NSW EPA will progressively require and support licensees to prepare, implement and report on climate change mitigation and adaptation plans.

The multiple uses of transition plans suggest that as guidance is developed it is important to be clear on which aspect and ‘use case’ of transition planning the guidance intends to support. The use of surveys prior to the development of guidance can help to ensure that it is appropriately targeted for the intended user group.

2. Guidance should recognise the tension between flexibility and standardisation of transition plans

Organisations developing plans highlighted that there are a range of competing stakeholder priorities and complex decisions that inform targets, trajectories, actions and capital allocation. It can be challenging to communicate these complexities in a standardised way.

On the other hand, financial institutions highlighted the difficulties in comparing transition plans from different organisations and across multiple sectors. To attract the capital flows required to accelerate progress towards net zero at an economy level, streamlined approaches and assessments are required.

In practice, balancing flexibility and standardisation is not an ‘either/ or’ proposition. It needs to be carefully considered as guidance is developed and with consideration of the way in which the guidance is intended to be used.

3. Data availability and quality is an ongoing challenge and should be acknowledged

Participants highlighted that while emissions data amongst larger businesses – particularly those with obligations under the NGER Act (2007), has improved significantly in recent years, significant data gaps remain in smaller businesses. There is concern in some sectors, such as agriculture, that limitations in measurement methodologies remain. It was suggested that guidance is needed to assist organisations (particularly those with a high proportion of Scope 3 emissions, such as financial institutions) to effectively communicate data limitations and how they are managing those limitations.

4. Skill gaps and shortages can slow the development and impact of transition plans

Skill gaps and a shortage of skilled workers was identified as a significant challenge. That is because it can constrain the quality of the plans that are developed and potentially limit the ability of organisations to implement emission reduction initiatives and to demonstrate sufficient progress against their transition plans. The need for capacity building on transition planning in government agencies was also highlighted.

5. Development of the Sustainable Finance Taxonomy and sector pathways can assist

Participants broadly supported the initiatives under development through the coordination of the Commonwealth Government’s sustainable finance strategy. It is expected that these initiatives will assist organisations to both prepare and assess the quality of transition plans.

6. Guidance should align with emerging standards and approaches wherever possible as ‘best practice’ continues to evolve

Overall, participants in the workshops were supportive of the need for a nationally consistent approach to transition plans and planning. Planning guidance would assist organisations to implement an effective process that would then enable the development of an appropriately structured plan.

While the structure and form of such an approach was not explored in detail, participant input provides useful insights and considerations. For example it was suggested that approaches to guidance development should utilise existing networks, create additional opportunities for cross-stakeholder dialogue, build on existing guidance, balance principle-based versus prescriptive approaches and ensure that resources are allocated to update the guidance on a regular basis as new approaches and standards emerge.

1. Introduction

Net Zero or climate-related transition plans (referred to as ‘transition plans’ in this report) lay out an entity’s targets and actions as it transitions towards net zero greenhouse gas emissions. Transition plans can assist organisations to:

- Identify and respond to climate change risks and opportunities in a structured and strategic way.
- Disclose information on their response to customers, investors and other stakeholders.

While some organisations have been integrating climate change considerations into their planning and public disclosure processes for many years, the focus on transition plans has received heightened attention as many more organisations announce net zero targets and their stakeholders seek information on how those targets will be achieved.

There are various transition planning frameworks, guidance materials and approaches in place or under development internationally and in Australia. At this time however, there is no agreed standard that articulates how transition plans should be developed, what content they should include and how they should be communicated to stakeholders.

Acknowledging the growing importance of transition plans, in August and September 2023, the NSW Office of Energy and Climate Change (OECC), the NSW Treasury and the Commonwealth Treasury hosted four online consultation workshops that were attended by 129 individual participants from government jurisdictions, industry (peak bodies and selected businesses), financial sector and regulators. See Appendix A for further detail on the workshop agendas, participation and presentations.

The aim of the workshops was to explore whether a nationally consistent approach to transition planning is needed, what guidance would assist organisations and how efforts can best be coordinated. Each workshop was structured around introductory presentations followed by a ‘round robin’ process in which a representative from each participating organisation was invited to share perspectives on transition plans and the development of transition plan guidance.

This report provides a summary and high-level analysis of the workshops. It outlines:

- The main themes from each individual workshop.
- A summary of the key principles and considerations for the development of transition plan guidance from across all workshops.

2. Workshop themes

This section provides a brief summary of each workshop including a description of the most prominent themes that emerged.

2.1 Workshop 1: Government jurisdictions

Four main themes emerged from the discussion with representatives from government jurisdictions.

2.1.1 Economy-wide net zero initiatives assist with transition plans

The discussion highlighted the benefits of government initiatives at state, territory and Commonwealth levels. Commonwealth initiatives such as the sustainable finance strategy were acknowledged. At the state and territory level, various high-level modelling and policy initiatives are completed or underway. These include:

- establishing economy-wide net zero pathways
- supporting the development of the emerging industries that are needed to achieve net zero
- integrating net zero considerations into planning and development processes
- addressing skills shortages and gaps.

These higher-level activities are expected to provide important context for organisations developing transition plans by articulating the local and regional context that they operate within.

2.1.2 State and territory-based industry programs can assist organisations to develop transition plans

Over many years, state and territory governments have developed energy and emission reduction programs to assist businesses. Current programs are not typically framed in the context of transition planning or the development of transition plans but they do assist organisations to develop relevant components.

For example, there are programs that assist businesses to establish emissions baselines, identify energy efficiency and other emissions reduction opportunities, develop management awareness of net zero, develop relevant skills and that facilitate collaboration across value chains to reduce emissions. Typically, these programs include the development of guidance material, case studies and capacity building initiatives.

Opportunities for industry development programs to better support transition planning at the entity level were discussed. These include:

- Share lessons learned across programs to establish ways to improve their impact. For example, by sharing guidance material.
- Align program designs to make it easier for businesses operating nationally and internationally to benefit from the programs.
- Consider how to leverage existing resources and support the establishment of programs in states and territories that do not currently have programs in place.

- Communicate and promote programs in the context of transition planning. For example, by articulating the purpose and benefits of transition plans and the components of a transition plan that each program supports.

Guidance being developed by the NSW [Business Decarbonisation Program](#) could potentially provide a common framework to assist jurisdictions with collaboration and alignment across net zero industry development programs.

2.1.3 Government owned enterprises and corporations need to develop transition plans and can benefit from guidance

Several participants highlighted that transition plans are relevant to state owned enterprises and corporations – some of which are significant emitters. While there may be a need for specific transition plan guidance for these enterprises given their ownership arrangements it is also important that their transition plans align with national and international best practice.

2.1.4 There is concern that skill gaps and shortages will limit the development and implementation of transition plans

Skill gaps and a shortage of skilled workers was identified as a significant challenge. That is because it can constrain the quality of the plans that are developed and potentially limit the ability of organisations to implement emission reduction initiatives and to demonstrate sufficient progress against their transition plans.

Some participants also highlighted that capacity needs to be further built up within government agencies themselves. This is needed for agencies to develop their own transition plans and also to enable them to integrate relevant aspects of transition planning into policies, programs and engagement with stakeholders.

2.2 Workshop 2: Industry

Five main themes emerged from the discussion with representatives across industry.

2.2.1 The challenge of balancing the interests of multiple and diverse stakeholder groups

Transition planning requires businesses to conduct forward looking analysis and understand stakeholder interests to inform the development of their transition plans. The presentations made by invited company representatives (see Appendix A for details) and round robin discussion highlighted a range of challenges faced by some organisations in managing various stakeholder priorities.

For example:

- Reducing emissions while managing ‘just transition’ in communities where plant closures are a component of the plan.
- Reducing emissions while providing goods and services that may be emissions intensive but are considered essential in the wider community interest.
- Investing in plant and equipment in the short term even as new, lower emission and potentially lower cost technologies are expected to emerge in the longer term.

Discussions did not examine these potentially competing priorities in detail. However, the discussion highlighted the complexity of transition planning and the need to underpin transition plans with robust analysis and an appropriate level of stakeholder consultation.

2.2.2 ‘Developing’ versus ‘communicating’ transition plans

Distinctions were made between the process of developing transition plans for internal use and communicating a form of an ‘internal’ transition plan for public disclosure.

From an internal use perspective the forward-looking outlook of the transition planning process can play a central role in building staff awareness and understanding of climate-related risks and opportunities within the context of a business’s wider corporate strategy. While larger and more complex businesses have been conducting these types of analyses over many years and have built up the internal resources and capabilities to do so, other businesses lack the awareness, capacity and motivation to conduct the planning that is required – particularly small and medium enterprises (SMEs).

Review from a legal and public affairs perspective can influence the clarity of these plans. While disclosure remains an important aspect of transition planning, it was suggested that in developing guidance it will be important to clearly distinguish between the internal and external end-uses of transition plans.

2.2.3 Data challenges and limitations

Emissions data provides a foundation for transition plans. It is used in many ways, including to establish baselines, model emission reduction trajectories and demonstrate that emissions reductions have been achieved over time.

Participants highlighted that Scope 1 and 2 emissions data amongst larger organisations – particularly those with obligations under the National Greenhouse and Energy Reporting (NGER) Act (2007), has improved significantly in recent years. However, it remains difficult for organisations to obtain accurate and reliable Scope 1 and 2 emissions from entities in their value chain. Value chain data is needed to measure and report their own Scope 3 emissions.

There is also concern in some sectors, such as agriculture, that limitations in measurement methodologies can have a negative impact on entities in those sectors. For example, methodologies to measure emissions from livestock.

Additionally, it is expected that mandatory climate-related financial disclosure will increase requests for emissions data from smaller businesses – a requirement they may not be expecting given they will not be subject to the legislation.

While the quality and availability of data across value chains is not expected to be addressed quickly, the discussion highlighted the need for ongoing efforts to support improvements in data quality.

2.2.4 The need for flexibility in developing plans for public disclosure

In preparing transition plans for public disclosure, organisations need to consider the needs and interests of their stakeholders, the data that is available to them and the guidance that they refer to in preparing their plans. The development of investor benchmarks were discussed – for example, Climate Action 100+¹. It was highlighted that the benchmark requirements can change – even within the timeframe that a business is preparing their own transition plan for public disclosure.

¹ www.climateaction100.org/

This discussion reinforced the emergent nature of transition plan guidance and the need for flexibility. In this context, broader, principle-based guidance was suggested. In contrast, smaller businesses with few resources available to them may seek more prescriptive, template-based guidance.

This point underpinned the diversity of businesses and the need for guidance to be developed in a way that addresses the needs and challenges of businesses of different sizes, in different sectors and with varied levels of internal capability and skills.

2.2.5 Value in sharing experience

Given the emerging nature of transition planning processes and transition plans, it was highlighted that a cross-industry, collaborative approach can be valuable to share what works and what doesn't work with transition planning. This can be difficult given that it relies on transparency and sharing negative as well as positive experiences to work best. Collaborative models such as the Materials and Embodied Carbon Leaders' Alliance (MECLA) were mentioned as an example of ways in which collaboration and learning can be achieved across supply chains.

2.3 Workshop 3: Financial sector

Three main themes emerged from the workshop with representatives from the financial sector.

2.3.1 Challenges for financial institutions as preparers of transition plans

Transition plans are being developed by financial institutions to inform their own climate-related goals and targets and to demonstrate to stakeholders how they intend to meet them. Transition plans can assist financial institutions to allocate capital and develop products consistent with their own climate-related goals and targets.

In developing their own transition plans, financial institutions rely heavily on data and information from other entities (e.g. those they invest in or customers of their financial products). That is because the emissions they can control directly (Scope 1 and 2) are small relative to their Scope 3 emissions.

Customers can be numerous and diverse. For example, banks may provide business loans, personal loans and personal finance. This makes the quality of data in other entities' transition plans a challenging issue.

There are additional challenges in some sectors where methodologies to measure greenhouse gas emissions are relatively immature (e.g. measuring emissions from livestock). Further complications arise from investments in organisations that are located offshore and unregulated.

2.3.2 Challenges for financial institutions as 'consumers' of transition plans

The transition plans of other entities can assist financial institutions to allocate capital and develop products consistent with their own climate related goals and targets. For example, insurers can potentially use transition plans to assess risk in entities and assets that they underwrite. They can also identify entities and assets that are 'lower carbon' to reduce their own value chain (Scope 3) emissions. Transition plans can help financial institutions to minimise the risk of exposure to stranded assets by assessing climate-related risks in the entities and assets they invest in.

To assess climate-related risks, consistent and comparable information is important. For example, where entities use different baselines or report emissions intensity rather than absolute emissions, it can be difficult to compare one entity with another, or to establish the extent to which an entity is reducing emissions over time. Organisations developing transition plans can choose what they will include or leave out of their plans. This makes it difficult to assess risk across sectors, entities and assets.

These challenges underpin the interest from financial institutions in the development of standardised and consistent approaches to the development of transition plans.

Another key consideration for financial institutions in using transition plans is considering how to assess the quality of plans. Some participants suggested that the level of ambition should be linked to the science. There was overall strong support for the development of the Sustainable Finance Taxonomy and sectoral pathways as this would assist in assessing whether entities have established appropriate trajectories.

2.3.3 Transition plan ‘guidance’ is currently provided by multiple actors through a variety of channels

There are a number of different ways that financial institutions and real economy entities receive information about transition plans.

Investor benchmarks

For example, given the relevance of transition plans to financial institutions as a means of assessing and managing climate-related risks, groups of investors have collaborated to develop guidance in the form of ‘benchmarks’ to provide consistent ways to assess entities from a climate change perspective. Examples include Climate Action 100+² and the Investor Climate Action Plans (ICAPs) Expectations Ladder³ which provide a consistent approach to assess companies and investments. The challenge is to determine which of the multiple benchmarking approaches should be used as there are differences between each approach⁴.

Benchmarks continue to be refined and developed/improved over time as they are applied and used.

Given there are multiple benchmarking tools, a challenge for real economy actors as well as the financial community is to determine which are the most relevant.

International guidance on transition plans

Specific guidance on how to develop transition plans also continues to emerge. Examples include the Task Force on Climate-Related Financial Disclosure (TCFD) guidance that was released in 2021⁵ and more recent guidance released by the Glasgow Financial Alliance for Net Zero (GFANZ)⁶, the Investor Group on Climate Change (IGCC)⁷ and the UK Transition Plan Taskforce (TPT)⁸ amongst others.

² <https://www.climateaction100.org>

³ <https://theinvestoragenda.org/wp-content/uploads/2021/05/expectations-ladder.pdf>

⁴ https://www.responsible-investor.com/ri-survey-asset-owners-back-consolidation-among-esg-initiatives/?utm_source=newsletter-daily&utm_medium=email&utm_campaign=ri-daily-bronze&utm_content=14-09-2023

⁵ https://assets.bbhub.io/company/sites/60/2021/07/2021-Metrics_Targets_Guidance-1.pdf

⁶ <https://www.gfanzero.com/publications/>

⁷ <https://igcc.org.au/wp-content/uploads/2022/03/IGCC-corporate-transition-plan-investor-expectations.pdf>

⁸ <https://transitiontaskforce.net>

Climate-related disclosure legislation

While the International Financial Reporting Standards (IFRS) S2 Climate-related Disclosures standard has been widely supported, the treatment of transition plans is broad. National legislation on climate-related financial disclosure has been developed or is under development in a range of countries including Australia, New Zealand, the United States and in European countries, with varying emphasis placed on transition plans. Consistent with IFRS S2, upcoming disclosure requirements in Australia will include a requirement to disclose transition plans.⁹

Individual investor outreach

Financial institutions themselves are a source of guidance on transition plans through the dialogue they have with investors and customers.

The diverse sources and channels of guidance on transition plans highlight the need for targeted consultation and reference to existing approaches as additional guidance is developed.

2.4 Workshop 4: Regulators

Three main themes emerged from the discussion with representatives from regulatory bodies.

2.4.1 Varied roles and interests

The cross-cutting nature of climate risk was illustrated in the varied areas of influence and interest of each regulator. Examples of the role and relevant resources are provided in Table 1. It is important to note that only information that is available in the public domain has been included in this table.

Table 1: Interests and guidance developed by regulators

Regulator	Interests and guidance
Australian Competition & Consumer Commission (ACCC)	To ensure that firms comply with disclosure requirements and do not mislead investors and customers. Environmental and Sustainability Claims – Draft guidance for business. July 2023 ¹⁰ .
Australian Prudential Regulation Authority (APRA)	To ensure that the effects on businesses from a changing climate have been actively considered. Information paper. Climate change: Awareness to action. March 2019 ¹¹

⁹ <https://treasury.gov.au/sites/default/files/2023-06/c2023-402245.pdf>

¹⁰ https://www.accc.gov.au/system/files/Environmental%20and%20sustainability%20claims%20-%20Odraft%20guidance%20for%20business_web.pdf

¹¹ https://www.apra.gov.au/sites/default/files/climate_change_awareness_to_action_march_2019.pdf

Regulator	Interests and guidance
	Climate Vulnerability Assessment Results. November 2022. ¹² .
Australian Securities and Investments Commission (ASIC)	Greenwashing is an enforcement priority. ASIC has encouraged voluntary disclosure under the TCFD framework since 2018 and has been actively supporting standardisation through its involvement with International Organization of Securities Commissions, Sustainable Finance Task Force.
Clean Energy Regulator (CER)	Administers a number of climate change laws, with NGER Act reporting of particular relevance to transition plans.
Reserve Bank of Australia (RBA)	Interest in climate change as it affects monetary policy and financial stability. RBA without role to provide guidance and regulation on climate change, but involved in international conversations including via G20.
NSW Environment Protection Authority (NSW EPA) – head of EPAs Climate Change Community of Practice	Climate change action plan 2023-26 includes requirement for licensees (approximately 2200) to develop climate mitigation and adaptation plans. Currently undertaking a survey to determine current actions being taken by licensees and to inform alignment with existing approaches to the development of transition plans.

2.4.2 Approaches to regulation and guidance continue to develop

Consistent with other workshops, regulators articulated the management of climate change and transition plans as a critical area of ongoing development. There are several common principles and approaches to the development of guidance that were mentioned. These include:

- Conducting surveys of liable parties within their scope in order to understand what organisations are currently doing and what guidance they need. In one case a list of existing guidance was provided as part of the survey process to inform organisations as well as to gather information from them. Surveys can help establish a ‘baseline’ of activity and to assess the varied levels of maturity.
- Introducing regulations through a staged approach and an initial voluntary phase to give less mature businesses time to prepare and to address identified skills gaps over time.

¹² <https://www.apra.gov.au/sites/default/files/2022-11/Information%20Paper%20-%20Climate%20Vulnerability%20Assessment%20Results.pdf>

- Acknowledging the significant differences between businesses, consider how regulations can account for the different size, resources and materiality issues.
- Network with other regulators to collaborate and align approaches and guidance support where it is possible to do so.

2.4.3 Important role for collaboration and networking

Participants highlighted a number of collaboration and networking processes that are in place to support alignment across legislative requirements and associated guidance material.

Examples where transition plans are actively being discussed are:

- The Council on Federal Financial Relations (CFFR) which is comprised of Federal and state and territory Treasurers. CFFR is a sub-committee of, and reports to the National Cabinet. The Council regularly publishes updates on its climate change-related activities¹³.
- International mechanisms for collaboration that Commonwealth Treasury and/or regulators are involved in include the G20¹⁴, International Platform on Sustainable Finance¹⁵ and the International Organisation of Securities Commissions (IOSCO).
- The NSW EPA described the important role that the Heads of EPA Climate Change Community of Practice plays. This involves EPAs across all jurisdictions and is an important mechanism to build a shared understanding of best practice, learn from each other and collaborate and align as much as possible on transition plans and other climate-related issues.

Informal networks between regulators were also mentioned. These can help to address emerging issues (e.g. greenwashing) that are of relevance to multiple regulators. Following the workshop, additional input was received which highlighted the important collaboration that occurs under the Council for Financial Regulators (CFR), specifically their climate working group.

¹³ <https://www.cfr.gov.au/publications/policy-statements-and-other-reports/2022/council-of-financial-regulators-climate-change-activity-stocktake-2022/>

¹⁴ See for example https://www.g20.org/content/dam/gtwenty/gtwenty_new/document/G20_SFWDG_Deliverables_2023.pdf and <https://sdgfinance.undp.org/news/sustainable-finance-transition-framework-reach-sdgs>

¹⁵ https://finance.ec.europa.eu/sustainable-finance/international-platform-sustainable-finance_en

3 Considerations for the development of transition plan guidance

The workshops highlighted that there is a very clear need for transition plan guidance. The development of guidance depends upon a strong understanding of what ‘transition’ means at both the economy-wide, sectoral and entity level. Definitions and approaches to developing transition plans continue to emerge and it is important that any guidance that is developed considers a number of key principles and considerations. Key principles and considerations that emerged from the workshops are described below.

3.1 Guidance should acknowledge that entity-level transition plans support economy-wide transitions to net zero in multiple ways

Discussions with participants throughout the workshops confirmed that transition planning and the disclosure of plans at an entity level are essential to support efficient and timely progress towards net zero. Participant input highlighted that transition plans are important to, and used by stakeholders in different ways. Examples are provided in Table 2.

Table 2: Different uses of transition plans

Transition plan stakeholder	Uses of the transition plan
Entity developing the transition plan	<ul style="list-style-type: none"> To identify climate-related risks and opportunities and inform the development of policies, goals and targets To build understanding of risks and opportunities throughout the organisation and to determine how they should be managed To inform stakeholders of their commitments and the actions intended to be implemented over time to achieve net zero To inform net zero related claims made for products or the entity as a whole To demonstrate and explain progress towards net zero over time
Financial institutions	<ul style="list-style-type: none"> To assess the extent to which the entity is aligned with their own climate related policies, goals and targets To obtain data and information that can be used in their own transition plans (particularly associated with Scope 3 emissions)
Government departments	<ul style="list-style-type: none"> To support the development of transition plans so that entities can contribute to economy-wide emission reduction goals and targets To inform the development of climate-related government policies To facilitate the assessment of submissions made by entities such as grant applications
Regulators	<ul style="list-style-type: none"> To meet specific requirements depending upon the focus of the institutions

The multiple uses of transition plans suggest that as guidance is developed it is important to be clear on which aspect and ‘use case’ of transition planning the guidance intends to support. The use of surveys prior to the development of guidance can help to ensure that it is appropriately targeted to the user group and topics that it is intended to support.

3.2 Guidance should recognise the tension between flexibility and standardisation of transition plans

Related to the different uses of transition plans is the challenge of balancing flexibility with standardisation in transition plans. Organisations developing plans highlighted that there are a range of competing stakeholder priorities and complex decisions that inform targets, trajectories, actions and capital allocation. It can be challenging to communicate these complexities in a standardised way.

On the other hand, financial institutions highlighted the difficulties in comparing transition plans from different organisations and across multiple sectors. To attract the capital flows required to accelerate progress towards net zero at an economy level, streamlined approaches and assessments are required.

In practice, balancing flexibility and standardisation is not an ‘either/ or’ proposition. It needs to be carefully considered as guidance is developed and with consideration of the way in which the guidance is intended to be used.

3.3 Data availability and quality is an ongoing challenge

Participants highlighted that while emissions data amongst larger businesses – particularly those with obligations under the NGER Act (2007), has improved significantly in recent years, significant data gaps remain in smaller businesses. There is concern in some sectors, such as agriculture, that limitations in measurement methodologies remain. It was suggested that guidance is needed to assist organisations (particularly those with a high proportion of Scope 3 emissions, such as financial institutions) to effectively communicate data limitations and how they are managing those limitations.

3.4 Skill gaps and shortages can slow the development and impact of transition plans

Skill gaps and a shortage of skilled workers was identified as a significant challenge. That is because it can constrain the quality of the plans that are developed and potentially limit the ability of organisations to implement emission reduction initiatives and to demonstrate sufficient progress against their transition plans. The need for capacity building on transition planning in government agencies was also highlighted.

3.5 Development of the Sustainable Finance Taxonomy and sector pathways can assist

Participants broadly supported the sustainable finance initiatives the Commonwealth Government have announced over the past 12 months, including the development of an Australian Sustainable Finance Taxonomy. It is expected that these initiatives will assist in both preparing and assessing transition plans. Initiatives such as the NSW Government’s Business Decarbonisation Program were also recognised as providing practical guidance to support transition plan development.

3.6 Guidance should align with emerging standards and approaches wherever possible as ‘best practice’ continues to evolve

Overall, participants in the workshops were supportive of the need for a nationally consistent approach to transition plans and planning. Planning guidance would assist organisations to implement an effective process that would then enable the development of an appropriately structured plan.

While the structure and form of such an approach was not explored in detail, participant input provides useful insights and considerations. For example:

- There are a number of formal and informal networks that are already in place that incorporate consideration of transition plans and guidance. These should be acknowledged and will continue to play an important role. From an intergovernmental perspective, the CFFR presents an opportunity to report on and assist with the coordination of transition plan guidance.
- There is an opportunity to broaden the work and perspectives of existing networks by creating additional opportunities for cross-stakeholder dialogue. For example, it was highlighted that there would be value in organisations that are preparing transition plans to share their experiences on what works and what doesn't. This could be supported through events or networks, including at a sectoral and/or regional level. Such events and networks could also provide a platform to bring together stakeholders from financial institutions, regulators and government to share experience and broaden perspectives on transition plans and guidance.

The workshops themselves highlighted a number of areas in which guidance is needed. For example, how to:

- assess the quality of transition plans
- effectively communicate data limitations in transition plans
- present transition plans in a way that will provide stakeholders with consistent and comparable information.

As well as identifying specific areas in which guidance is needed, the workshops provided important insights into the process that should be followed to develop guidance. Key process considerations include:

- Use surveys to understand the current situation and needs of end users
- Prioritise the development of guidance based on those surveys
- Establish what relevant and credible guidance is already available and align with that guidance wherever practicable
- Utilise stakeholder networks to confirm the need for and focus of the guidance that is being developed
- Consider the extent to which the guidance that is developed should adopt a principles-based approach (more useful for organisations with sufficient internal resources to interpret and apply the principles) versus a more structured and prescriptive approach (can potentially reduce the time and effort needed for smaller organisations but less applicable across sectors.)
- Allocate resources to update the guidance on a regular basis as new approaches and standards emerge

4 Conclusion

Transition planning at the entity level is a powerful mechanism to ensure that Australian businesses and the wider economy transition to net zero in an efficient and effective way. This consultation process has reinforced the importance of transition planning and demonstrated the interests of multiple stakeholders and the different ways in which transition plans can be used.

While there are considerable challenges for achieving consistent and comparable data and information within entity-level transition plans, ongoing communication and collaboration between the stakeholders that are involved can help ensure that the guidance that is developed is appropriately targeted, credible and accelerates efforts across the economy to achieve net zero.

Appendix A: Workshop overview

The aim of the workshops was to explore whether a nationally consistent approach to transition planning is needed, what guidance would assist organisations and how efforts can best be coordinated. Each workshop was structured around introductory presentations followed by a ‘round robin’ process in which a representative from each participating organisation was invited to share perspectives on transition plans and the development of transition plan guidance.

Workshop participants

Participants included representatives from government jurisdictions, industry (peak bodies and selected businesses), financial sector organisations and regulators (Table 3). Sixty-eight organisations were represented overall.

Table 3: Workshop dates, target participants and number of attendees at each workshop

Workshop	Attendees	Number of individual participants
Government jurisdictions 1 August 10am – 12noon	Representatives from the Commonwealth and all State and Territory Governments	47
Industry 15 August 10am-12noon	Business-related industry associations and peak bodies as well as four businesses that presented on their recently published transition plans	43
Financial sector 29 August 10am – 11.30am	Financial sector industry associations and peak bodies	22
Regulators 5 September 10am – 11.30am	Commonwealth and State Government financial and environmental regulators	17

Workshop presentations

The workshops were facilitated by Patrick Crittenden of the Sustainable Business Group.

Each workshop commenced with introductory presentations from the Commonwealth Treasury and NSW Government. For the workshops with government jurisdictions and industry, additional presentations were made. These are described in Table 4.

Table 4: Additional presentations included in specific workshops

Workshop	Additional presentations
Government jurisdictions	<ul style="list-style-type: none"> David Gourlay of the Department of Climate Change, Energy, the Environment and Water (DCCEEW) provided background to the Commonwealth Government's commitment to develop 6 sectoral decarbonisation plans.¹⁶
Industry	<ul style="list-style-type: none"> Coral Bravo and Tom Wainwright of the ClimateWorks Centre to share their research on corporate progress towards net zero. Their perspective was based on research completed by the ClimateWorks Centre and publications developed for the Net Zero Momentum Tracker website.¹⁷ Four businesses with transition plan experience. The speakers were: <ul style="list-style-type: none"> John McCormack, General Manager - Stakeholder Engagement (AGL)¹⁸ Dr Fiona Wild, Group Climate and Sustainability Officer (BHP)¹⁹ James Wewer, General Manager, Sustainability - Asset Creation (Lendlease)²⁰ Nathan Brogden, Group Sustainability Manager (Downer)²¹ <p>The presentations from these businesses outlined how plans were developed, key challenges and areas where guidance is needed.</p>

¹⁶ As announced by Minister Bowen on 18 July 2023

<https://minister.dcceew.gov.au/bowen/speeches/address-clean-energy-council>. The 6 sectors are Electricity and Energy, Industry, the Built Environment, Agriculture and Land, Transport and Resources

¹⁷ www.climateworkscentre.org/net-zero-momentum-tracker/

¹⁸ AGL Climate Transition Action Plan September 2022

<https://www.agl.com.au/content/dam/digital/agl/documents/about-agl/sustainability/ctap.pdf>

¹⁹ BHP Climate Transition Action Plan https://www.bhp.com/-/media/documents/investors/annual-reports/2021/210914_bhplimatetransitionactionplan2021.pdf

²⁰ Lend Lease Mission Zero Progress Report <https://www.lendlease.com/au/sustainability/climate-and-environment/mission-zero/#:~:text=Our%20progress%20at%20a%20glance,starting%20to%20become%20a%20reality.>

²¹ Downer Group Climate Change Report 2022

https://www.downergroup.com/Content/cms/media/2022/Environment/NEW_Downer_Climate_Change_Report_2022__Interactive_.pdf

Sydney NSW 2000

GPO Box 5469
Sydney NSW 2001

W: treasury.nsw.gov.au

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