



18 December 2025

Department of Climate Change, Energy, the Environment and Water
Climate Science Team
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Subject: Consultation on draft National Climate Scenario Guidance

The Australian Industry Greenhouse Network (AIGN) welcomes the opportunity to provide comment on the Department's consultation on the draft National Climate Scenario Guidance. AIGN corporate members are deeply engaged in climate risk assessment, adaptation planning and investment decisions aligned with Australia's transition to a net zero future.

About AIGN

AIGN is a network of industry associations and corporations that provides a forum for discussion on key climate change issues, as well as information and analysis on national and international climate change policy, and the role industry can play in the transition to net-zero emissions by 2050.

We are committed to supporting cohesive, efficient, and predictable climate policies that align with Australia's Paris Agreement targets. We believe a harmonised approach across federal, state, and territory jurisdictions is essential to achieving our emissions reduction targets while maintaining investment stability and minimising sovereign risk.

The transition to a net-zero economy is complex and ambitious, requiring collaborative management and open dialogue. AIGN corporate members are on the frontlines of this transition; association members are valuable sources of expertise on the specific needs and challenges of their respective industry sectors as they move towards a net-zero future.

Nationally consistent framework

AIGN members with obligations under the Government's new climate-related financial disclosure framework strongly support consistency in climate reporting frameworks.

A nationally consistent approach to climate scenario analysis will ensure coherence across jurisdictions, sectors and reporting entities. The draft guidance provides a good basis for this, through shared socioeconomic pathways that support alignment with global frameworks such as the Taskforce on Climate-related Financial Disclosures, and standard timeframes aligned with the National Climate Risk Assessment to enhance



comparability. Emphasising transparency in scenario selection, data use and methodological choices will assist in creating investor confidence and support long-term decision-making across industry.

Focus on risk analysis and management

AIGN supports the Department's approach in the draft guidance to recognising the inherent uncertainty in modelling future climate scenarios, and that scenario analysis is a risk management (rather than a forecasting) exercise. In this regard, a flexible approach to climate scenario guidance is supported, particularly in light of the diversity of corporate structures, investment horizons, and regional risk exposures.

Operational considerations

AIGN members are engaged in sectors covering mining, energy and manufacturing, and many are managing material exposure to climate-related risks. The focus in the draft guidance on physical risk assessment is reasonable; however, we note several operational considerations that will influence implementation:

- Balance between detail and flexibility – AIGN recognises that there is a trade-off between providing reporting entities with the flexibility to select and report on climate scenarios that align with their operating circumstances and systems, and encouraging comparability through detailed requirements. AIGN strongly supports continued engagement with reporting entities as the climate scenario guidance is finalised, as well as after implementation, so industry can continue to work with the Government in ensuring the detailed rules and guidance are giving effect to the intent of the policy.
- Financial implications – the guidance is not expansive on how the assessment of physical climate impacts can be applied to financial value. This is difficult to quantify, and further discussions with industry stakeholders may be appropriate.
- Supply chain interactions – companies reporting under climate risk and other frameworks are often part of global supply chains. These frameworks, as well as the climate scenario guidance, should remain aware of the scope of entities' operations, and what does and does not fall within their responsibility.
- Data accessibility – the growing availability of more granular datasets is welcome. AIGN encourages further work to ensure data is open access, updated regularly, and supported by user-friendly tools for qualitative and quantitative analysis.
- Complexity and resourcing – the draft guidance, while comprehensive, may impose significant analytical requirements which could be challenging even for companies with some internal capacity in disciplines like climate modelling. For smaller companies, additional technical support may be needed.



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Conclusion

AIGN supports the intent of the draft climate scenario guidance to help build a reliable and consistent climate risk framework for Australia.

We welcome further engagement with the Department to promote the development of practical, science-informed guidance that supports reporting entities in their obligations.

Thank you for your time and consideration.

Kind regards,

Susie Smith | Chief Executive