

AIGN submission

Department of the Treasury Improving the efficiency of climate- related financial disclosures Consultation Paper

October 2026

1 Summary

AIGN supports efforts to improve the efficiency and practical implementation of the climate-related financial disclosure framework. Efficiency improvements should maintain the quality and support the decision-usefulness of disclosures, with a focus on international alignment.

Adopt a ‘use existing information first’ approach

Where credible data or information has already been produced under another robust regulatory framework, entities should be able to reuse it where appropriate rather than recreate equivalent information.

Improve alignment between AASB S2 and NGERS

NGERS should be used as the default framework for relevant Australian emissions reporting where appropriate, reducing unnecessary reconciliation between different methodologies to provide effectively the same information. Alignment between these frameworks should be improved so that scope 1 and 2 data already reported under NGERS is recognised.

Retain principles-based flexibility and proportionality

Reporting requirements should accommodate differences in entity size, structure, risk profile, data availability and capability. Practical examples would be useful, particularly for areas involving significant judgement such as materiality, scenario analysis (including requirements around the 1.5°C scenario), value-chain boundaries and application of ‘undue cost or effort’.

Retain limited assurance as the mandatory baseline

Retaining limited assurance is a proportionate approach that supports credibility while recognising the maturity of data, capacity constraints and the forward-looking nature of many climate disclosures. Reasonable assurance should remain available voluntarily.

Existing assurance should be recognised wherever possible

Where emissions data has already been assured under NGERS, or financial information has been subject to statutory audit, sustainability assurance should be able to rely on that work where relevant and equivalent.

Clear boundaries for value-chain and Scope 3 information requests

Requests should be proportionate, material and decision-useful. Greater availability of domestic emissions factors would also reduce unnecessary bespoke data requests.

Recognise equivalent parent-level reporting for Australian subsidiaries

AIGN supports a clear pathway allowing subsidiaries to report under AASB S2, IFRS S2 or other equivalent consolidated parent disclosures, while retaining an obligation to disclose material entity-specific matters not covered at group level.

2 Introduction

The Australian Industry Greenhouse Network (AIGN) welcomes the opportunity to comment on the Department of the Treasury's (Treasury) consultation paper on improving the efficiency of climate-related financial disclosures.

AIGN is a network of industry associations and businesses representing a broad cross-section of the Australian economy, including major energy producers, energy users, manufacturers, resources companies and exporters. We provide a valuable forum for the consideration of national and international climate change policy and the role industry can play in Australia's transition to net zero by 2050.

Many AIGN corporate members are directly subject to a range of climate policies including the National Greenhouse and Energy Reporting Scheme (NGERS) and Safeguard Mechanism, as well as international or voluntary sustainability reporting. Several AIGN members are among the first entities required to report under Australia's climate-related financial disclosure (CRFD) framework, and are actively investing in decarbonisation across industrial, manufacturing and resource operations. They are therefore well placed to provide constructive, experience-based advice about the operation of the new CRFD regime.

AIGN supports Australia's commitment to the Paris Agreement and climate policy settings that are effective, evidence-based, economically efficient and equitable. Our long-standing policy principles emphasise transparent policy development, broad coverage and equitable sharing of emissions reduction responsibility, investment certainty, and the importance of maintaining Australia's trade and investment competitiveness as the economy transitions to align with a net-zero future.

AIGN supports an evidence-based approach and ongoing engagement with stakeholders to ensure Australia's climate policy architecture remains effective, supporting transition-aligned investment and decarbonisation alongside economic growth in line with the Government's Future Made in Australia plan.

2.1 Climate-related financial disclosures

AIGN supports, in principle, mandatory climate-related financial disclosures. The expediency of disclosures relies on the framework fulfilling its fundamental purpose: providing useful information about how reporting entities identify, assess and manage climate-related financial risks and opportunities, thereby supporting informed investment and capital-allocation decisions.

It is crucial that additional compliance obligations should add genuine informational value and fill an identified need rather than duplicate information already produced through other credible frameworks.

3 Purpose of review of CRFD framework

AIGN welcomes the Government's decision to examine opportunities to improve the efficiency of the climate-related financial disclosure framework following its first reporting cycle. Reducing compliance costs while maintaining the quality, consistency and international comparability of disclosures supports both robust climate reporting and efficient administration, which are complementary objectives. AIGN members report substantial resource commitments associated with establishing and maintaining systems, obtaining assurance, developing governance processes and interpreting new requirements. Avoiding administrative processes that do not materially improve disclosure quality would help entities to allocate suitable resources to identifying and communicating material information while avoiding excessive costs.

The compliance costs necessarily associated with reporting should remain proportionate to the quality and usefulness of the information produced. The climate-related financial disclosure framework should make effective use of established data, reporting and verification systems where these provide credible information, rather than requiring duplicative processes that do not materially improve disclosure quality or investor confidence.

3.1 Guiding principles

Treasury proposes four principles for this reform process: reducing compliance costs; maintaining alignment between the relevant Australian Accounting Standards Board standard (AASB S2) and International Financial Reporting Standards Foundation standard (IFRS S2); minimising disruption for reporting entities; and reserving systemic issues for the legislated 2028–29 review. AIGN broadly supports this approach.

Efficiency reforms should preserve decision-useful information about material climate-related financial risks and opportunities while reducing unnecessary regulatory burden. International alignment is particularly important for multinational entities, supporting comparability and reducing the need for separate reporting architectures across jurisdictions. This should be implemented in a way that makes effective use of credible Australian reporting systems. AIGN supports the National Greenhouse and Energy Reporting Scheme (NGERS) as the default framework for relevant Australian emissions reporting where practicable. Unnecessary reconciliation between NGERS and other emissions accounting methodologies can add cost and create apparent inconsistencies without materially improving reported information.

The framework should retain the principles-based proportionality and flexibility intended by AASB S2, to accommodate differences in entity size, structure, risk profile, data availability and reporting capability.

Flexibility provisions should enable entities to exercise judgement in reporting consistent with their circumstances. Detailed guidance can improve consistency, but

excessive prescription risks replacing one form of complexity with another. This is particularly important for concepts that inherently require professional judgement, including materiality, scenario analysis, value-chain boundaries and the availability of “reasonable and supportable information”. Treasury’s proposal to clarify the practical application of “undue cost or effort”, available skills and capabilities, and statements that an entity has no material climate-related risks or opportunities therefore warrants further consultation with stakeholders.

AIGN supports a strong ‘use existing information first’ approach, where appropriate information already produced under a robust regulatory framework can be utilised to satisfy climate disclosure requirements, noting that different regimes are not interchangeable. Nevertheless, untapped opportunities to support sensible interoperability and reuse of credible information should be realised.

The same principle should apply to assurance. Where information already subject to appropriate independent assurance can legitimately be relied upon for multiple reporting requirements, the CRFD framework should avoid unnecessary duplicate assurance.

4 Reform opportunities

AIGN supports Treasury’s intention to use the experience of the first reporting cohort to identify practical improvements to avoid unnecessary costs.

There is an important opportunity in this process to distinguish genuine integrity requirements from implementation practices that have developed around the regime but may not be necessary to achieve its objectives. This review should consider the interaction between reporting standards, assurance practice, regulatory guidance, emissions data systems and value-chain information requests, with a focus on requirements that materially contribute to disclosure quality.

Conversely, changes themselves can impose costs. Entities have already invested in governance, systems, controls, staff capability and assurance arrangements based on the existing framework. AIGN therefore supports Treasury’s principle of minimising disruption and supports targeted continuous improvement: removing avoidable cost and uncertainty while preserving systems that are working effectively.

4.1 Maintain limited assurance as the mandatory baseline

AIGN supports maintaining limited assurance as the ongoing mandatory assurance requirement for climate-related financial disclosures. Limited assurance is a proportionate baseline that supports the credibility and reliability of disclosures while recognising current data maturity, capacity constraints and the significant judgement inherent in forward-looking climate information.

Members report that the move to reasonable assurance would materially increase cost and effort. Experience under NGERS suggests reasonable assurance can cost substantially more than limited assurance. Reasonable assurance requirements may be difficult to apply to qualitative, forward-looking and third-party information, including scenario analysis and scope 3 data. Members have also reported limited direct feedback from investors indicating that a higher mandatory level of assurance would materially affect their decision-making.

Reasonable assurance should remain available on a voluntary basis where an entity considers that a higher level of assurance would meet stakeholder, market-access or other business needs. This would preserve flexibility while avoiding a mandatory cost uplift across all reporting entities.

4.2 Recognise existing assurance and specialist expertise

Where emissions data has already been subject to appropriate assurance under NGERS, or financial information has been subject to statutory audit, the sustainability assurance process should be able to rely on that work to the extent it is relevant and equivalent.

AIGN supports Treasury examining how the Registered Company Auditor (RCA) framework can better recognise specialist sustainability assurance expertise, including the experience of Registered Greenhouse and Energy Auditors (RGEAs), while retaining appropriate quality, independence and professional accountability. The framework should support effective use of specialists without unnecessarily narrowing the pool of available practitioners with relevant expertise.

Members are subject to a growing range of mandatory and voluntary assurance requirements, including NGERS and, for some entities, international or industry-specific schemes. These can result in the same data, systems and governance controls being tested by multiple providers. Better recognition of existing assurance would reduce duplication and costs while preserving confidence in reported information.

4.3 Retain principles-based flexibility

Further materials to support the implementation of the disclosure framework must retain the intended principles-based flexibility to meet reporting requirements. Any additional materials should focus on improving consistency in auditing and maintaining flexibility for entities to apply interpretations suited to their circumstances.

This would be best achieved by providing illustrative examples to complement more general guidance, to ensure guidance is not interpreted by assurance providers as an extension of the regulatory framework. Examples should be framed as presenting potential means of complying, with clear recognition that multiple reasonable approaches may satisfy the requirements depending on an entity's circumstances.

Priority areas for practical examples include climate scenario analysis; quantification of long-term climate-related risks and opportunities; disclosures relating to vulnerable assets and business activities; and application of ‘undue cost or effort’ and other proportionality mechanisms. Existing materials produced by AASB, ASIC and AUASB should be more clearly consolidated and mapped so reporting entities and assurance providers can easily identify relevant resources.

4.3.1 Ensure flexibility of scenario analysis requirements

AIGN encourages the Treasury to review scenario analysis requirements to ensure they deliver the intended principles-based flexibility. Currently, AASB S2 goes further than the ISSB S2 standard, requiring a strict 1.5°C pathway that does not recognise the possibility of temporary overshoot. This is out of step with recent and commonly accepted evidence showing that a temporary overshoot before returning to a long-term 1.5°C outcome is likely. As a result, credible external scenario providers are starting to confirm they will no longer update strict 1.5°C scenarios. Treasury should consider how best to ensure reporting entities are able to use credible, widely accepted and regularly updated climate scenarios while maintaining the policy intent of the disclosure framework.

4.3.2 Flexibility in application of existing requirements

The main intent of CRFD is to provide decision-useful information to investors, lenders and other creditors, to support informed investment decisions. Therefore, the framework should facilitate optional participation for privately-owned companies who are not seeking to attract external investment, instead supporting ongoing business activities with existing revenues. This would ensure private companies do not need to produce complex and costly documents that are not serving a clear purpose, and would free up limited accounting and assurance resources for publicly listed companies, whose disclosures fill a well-defined information gap.

4.4 Set clear boundaries for value-chain information requests

AIGN supports clearer parameters for value-chain information requests, particularly for Scope 3 emissions. Requests should remain proportionate to the materiality and decision-usefulness of the information sought and should not create unnecessary burden for suppliers or other value-chain participants.

Practical examples should clarify when entity-specific primary data is necessary and when credible secondary data, industry averages or estimation methods are sufficient. AIGN supports greater availability of credible domestic emissions factors, including a well-maintained and accessible repository where appropriate. This would reduce the need for bespoke information requests where primary data is unavailable or disproportionate to obtain.

4.5 Improve alignment between AASB S2 and NGERS reporting

AIGN supports improved alignment between AASB S2 and NGERS reporting. Members report material additional work where the sustainability reporting period differs from the NGERS reporting year, including rebuilding data sets for a different period and obtaining assurance over information that substantially overlaps with data already reported and assured under NGERS.

Scope 1 and Scope 2 information already prepared under NGERS should be able to be used more directly for sustainability reporting. Where the same underlying emissions information has already been subject to suitable assurance, it should be accepted without requiring re-assurance.

Boundary differences also create implementation complexity. AASB S2 requires Scope 1 and Scope 2 emissions to be disaggregated between the consolidated accounting group and other investees, while NGERS is structured around different reporting and operational-control concepts. This can require significant systems and assurance effort even where the resulting differences are not material. Greater clarity on how existing NGERS data can be used, reconciled and assured within AASB S2 reporting would improve efficiency without compromising the integrity of either framework.

4.6 Provide relief for subsidiaries covered by equivalent parent-level reporting

AIGN supports a clearer pathway for subsidiaries within large groups to report under AASB S2, IFRS S2 or otherwise recognised equivalent sustainability disclosures prepared at the consolidated parent level. Addressing current inefficiencies in this area would reduce duplicative local reporting where the relevant governance, strategy, targets, scenario analysis and climate-related risks are already addressed at group level.

A more efficient approach could preserve the obligation to disclose material matters specific to the Australian reporting entity that are not adequately covered in the parent report. Subject to that safeguard, accepting parent-level disclosures would provide a more coherent view of group strategy and performance while reducing the administrative and assurance cost of reproducing substantially the same information at subsidiary level.

Members report that obtaining entity-specific relief can itself involve material time and cost. A clear regulatory mechanism, supported by defined criteria for recognising equivalent parent-level reporting, would provide greater certainty.

4.7 Apply materiality and proportionality to detailed metrics

AIGN notes that some detailed metrics require disproportionate implementation effort associated with some detailed metrics when assessed against the decision-usefulness of the resulting information. This includes AASB S2 paragraph 29(a)(iv), particularly

where the emissions associated with other investees are immaterial, and paragraphs 29(b)–(d), which require amounts and percentages of assets or business activities vulnerable to transition and physical risks or aligned with climate-related opportunities.

The usefulness of these disclosures vary materially by business model. They may provide useful differentiation within a diversified portfolio, but are less informative where climate-related risks and opportunities are broadly consistent across assets or business activities. Assessments of whether assets are ‘vulnerable’ or ‘aligned’ can also require substantial judgement, increasing the risk of inconsistent application.

In the short term, additional materials should clarify how the overarching materiality requirements and the ‘reasonable and supportable information available without undue cost or effort’ mechanism apply to these metrics, including practical examples. If existing mechanisms do not adequately address low-materiality cases, the issue should be considered as part of the 2028–29 statutory review and preserve alignment with IFRS S2 as much as possible.

5 Conclusion

AIGN supports Treasury’s focus on improving the efficiency and practical implementation of the climate-related financial disclosure framework while maintaining information quality and international alignment. Valuable near-term opportunities to improve efficiency include maintaining limited assurance, recognising existing information and assurance, improving alignment with NGERs, preserving principles-based flexibility, reducing unnecessary value-chain requests and avoiding duplicative reporting within corporate groups.

AIGN welcomes continued engagement with Treasury and other relevant government bodies as these reforms are developed and implemented.