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Submissions
Climate Change Authority
GPO Box 787
Canberra ACT 2600

By email to: submissions@climatechangeauthority.gov.au

Dear Sir / Madam,

ASFI Submission in relation to Updating the Authority's advice on meeting Australia's Paris Agreement commitments

The Australian Sustainable Finance Initiative welcomes the opportunity to provide a submission to the Climate Change Authority's consultation on updating the Authority's advice on meeting Australia's Paris Agreement commitments.

The Australian Sustainable Finance Initiative (ASFI) is a voluntary, cross-sectoral collaboration formally established in 2019 that involves banks, insurance companies, superannuation funds and other key academic, investment and finance sector representatives working collaboratively to establish a roadmap for aligning the finance sector to support greater social, environmental and economic outcomes for the country.

ASFI has been established based on the conviction that Australia's financial system has a key role to play aligning to our national and global commitments to sustainable development, climate change and human rights. A sustainable and resilient economy – one that prioritises human well-being, social equity and protection of our environment – is the foundation for ensuring Australia's future prosperity.

We note that the CCA's consultation is focused on a number of questions that are relevant to the development of a sustainable finance roadmap for Australia.

Given the early stage of ASFI's development we are not currently in a position to provide detailed answers to these, and other questions. Through our submission we seek to reinforce:

- the role of the finance sector has been acknowledged in the Paris Agreement, Sustainable Development Goals and Sendai Framework for Disaster Risk Reduction; and
- the importance of a collaborative approach to answering complex questions around Australia's financial system.

Australia's international commitments

We note that the importance of the finance sector is explicitly acknowledged in international agreements that Australia is a party to including the Paris Agreement, Sustainable Development Goals and Sendai Framework for Disaster Risk Reduction.

The Paris Agreement, adopted at the 21st session of the Conference of the Parties of the United Nations Framework Convention on Climate Change on 12 December 2015, states, “As part of a global effort, developed country Parties should continue to take the lead in mobilizing climate finance from a wide variety of sources, instruments and channels, noting the significant role of public funds, through a variety of actions, including supporting country driven strategies, and taking into account the needs and priorities of developing country Parties”. (Article 9)

The Sustainable Development Goals, adopted by resolution (70/1) of the United Nations General Assembly on 25 September 2015 states “national development efforts need to be supported by an enabling international economic environment, including coherent and mutually supporting world trade, monetary and financial systems, and strengthened and enhanced global economic governance”. (Clause 63)

The Sendai Framework for Disaster Risk Reduction 2015-2030, adopted at the Third UN World Conference in Sendai, Japan, on March 18, 2015, states parties agree “to promote the development and strengthening of disaster risk transfer and sharing mechanisms and instruments in close cooperation with partners in the international community, business, international financial institutions and other relevant stakeholders,” and further agree to “to encourage the coordination between global and regional financial institutions with a view to assessing and anticipating the potential economic and social impacts of disasters.” (Clause 31)

International Progress on Sustainable Finance

In response to international commitments made by nations we are seeing many countries consider the role of financial sector policy, regulatory environment and finance sector practices that can align the finance sector to support their own nations' transition to a resilient and sustainable economy. In many cases this work has been coordinated at a national level through the development of sustainable finance roadmaps, defined as a set of recommendations across policy, regulation and finance sector practices that in combination form a coherent plan to direct finance to support a more resilient and sustainable economy.

At an international level Sustainable Finance is now incorporated directly into the work of the G20 with the Green Finance Study Group (GFSG) established under China's G20 Presidency in 2016, expanded in 2018 under Argentina's G20 Presidency to become the Sustainable Finance Study Group (SFSG).

The focus on sustainable finance includes all parts of the financial system. Examples include the establishment of the Network for Greening the Financial System that brings together Central Banks and Supervisors to focus on integrating climate-related risks into financial stability monitoring and micro-supervision.

According to UN Environment's Sustainable Finance Progress Reportⁱ produced for the G20 Sustainable Finance Study Group, “there is growing evidence that demonstrates the sustainable finance policy over the last year has been characterized by strong growth, increased scope, and greater maturity”.

International focus on sustainable finance, led in many cases by governments through the establishment of sustainable finance roadmaps is leading to a number of interventions that are likely to result in increased flow of capital that will benefit local economies. Examples include:

- The UK Government has released its Green Finance Strategyⁱⁱ laying down a clear ambition for London to become the global hub for green finance. A key component of the UK's strategy is the launch of the Green Finance Institute, supported by £2 million of seed funding from the UK Government and £2 million from the City of London, which aims to foster greater alignment of public and private sector initiatives with a focus on catalysing finance to accelerate the economic transition.
- The EU Technical Expert Group on Sustainable Finance has issued a series of reports focused on Taxonomy, Green Bond Standards and Low-Carbon Benchmarks from the Technical Expert Group on sustainable finance (TEG). The impact of measures contained in the report is to grow the clean economy of the future and substantially improve the environmental performance of industries today.

Developing an Australian Sustainable Finance Roadmap

The concept of developing an Australian Sustainable Finance Roadmap was born out of industry discussions which took place at the end of 2017, with the *Financing a Resilient and Sustainable Economy*ⁱⁱⁱ conference held by UNEPFI in July 2018 bringing together representatives from academia, government, the finance sector, industry bodies, regulators and civil society to discuss the importance of aligning the finance sector in Australia and New Zealand with the delivery of resilient and sustainable economies. The conference reinforced strong support for the finance sector to lead a sustainable finance roadmap initiative in Australia, issuing a *Joint Statement in Support of a Sustainable Financial System for Australia and New Zealand*.^{iv}

The Australian Sustainable Finance Initiative (ASFI) was subsequently launched on 27 March 2019 with the objective of creating a sustainable finance roadmap for Australia including pathways, policy signals and frameworks that will better enable the financial services sector to contribute to delivering on Australia's international commitments. The stated intention is for an Australian Sustainable Finance Roadmap to be delivered by the Steering Committee in 2020 with recommendations that will assist the financial services sector to:

1. Mobilise capital to deliver on national and global sustainable development and climate goals;
2. Enhance the sustainability, resilience and stability of the financial system by embedding sustainability, climate and human rights considerations into financial markets and products;
3. Ensure better informed financial decision making by enhancing disclosures and transparency on environmental, social and governance risks and opportunities; and
4. Deliver a financial system that meets community expectations around sustainability.

ASFI Collaborative Model

To achieve the stated objective of delivering a sustainable finance roadmap for Australia by 2020, ASFI has adopted a collaborative model, with over 130 individuals and 80 organisations involved in a process focused on delivering practical and implementable recommendations. The process is:

- designed to be inclusive of stakeholders to both ensure a breadth of views and maximise likelihood of the recommendations being adopted.
- includes government, regulators, academia and civil society as observers, advisers and/or participants in the process
- informed by a wide base of expert knowledge both domestically and internationally

The Roadmap development process is overseen by the Australian Sustainable Finance Initiative Steering Committee (SteerCo) consisting of senior financial services, academic and civil society representatives. Four ASFI technical working groups and a coordinating working group have been established with a focus on:

- **Technical Working Group 1:** Mobilising capital to deliver on our sustainability challenges and opportunities
- **Technical Working Group 2:** Creating a more sustainable, resilient and stable finance system by embedding sustainability into systems, markets, products and services to better account for risk and impact
- **Technical Working Group 3:** Making better informed financial decisions by enhancing disclosures and transparency
- **Technical Working Group 4:** Meeting community and consumer expectations, and putting people at the centre of finance's purpose
- **Coordinating Working Group:** Deliver practical recommendations on over-arching and cross cutting issues not captured in the Technical Working Groups, including short termism, valuation, taxation, accounting standards and education.

Each technical working group has twenty (20) members that were selected out of an Expression of Interest process. Members were selected based on their skill and experience with the objective of ensuring that each working group has a balance of sector, gender, age and professional skill sets.

ASFI Recommendations

ASFI has been established based on an understanding that the health, sustainability and stability of the Australian economy is inextricably linked with the health, sustainability and stability of our people, society and the natural systems on which we all depend. For Australia to continue to prosper in the 21st century we need to realign the systems that underpin our economy to support human well-being, social equity and our environment.

The financial system is one such system that requires realignment with this purpose, to ensure investment, banking and insurance are closely aligned with our national and global commitments to sustainable development, climate change and human rights, and delivers a prosperous, equitable and inclusive economy for all Australians.

In terms of the specific areas of focus by the Climate Change Authority in its consultation - including the resilience of major infrastructure investment, enabling development and uptake of low-emissions technologies and associated industries and supporting increased flows to green finance - we would argue that ASFI's collaborative process provides an ideal mechanism to develop solutions that, because of the involvement of a cross-section of finance sector participants, regulators, government and civil society, are able to be practically implemented. ASFI's structure enables discussions between finance industry participants, recognising that understanding the interlinkages between insurance, banking and investment is a critical component to developing workable solutions.

Consistent with the work of other sustainable finance roadmaps around the world, the ASFI process will deliver a comprehensive set of recommendations that respond directly to the questions in the CCA consultation, in particular, questions relating to the government role in developing an enabling environment to support increased flows of green finance.

ASFI would like to invite the Climate Change Authority to provide practical support to ASFI to deliver a sustainable finance road map for Australia. We would propose the following means that this can occur:

1. CCA join ASFI Technical Working Groups
2. CCA provide financial support to enable ASFI to conduct a series of roundtables on specific issues across the country
3. CCA provide staff secondment to ASFI to support research

4. Upon delivery of the sustainable finance roadmap CCA support the implementation phase through provision of financial support and secondment of staff.

For more information please contact Gordon Noble, ASFI Head of Policy and Advocacy at gnoble@sustainablefinance.org.au.

Yours sincerely,



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Co-Chairs
Australian Sustainable Finance Initiative

END NOTES

ⁱ http://unepinquiry.org/wp-content/uploads/2019/03/Sustainable_Finance_Progress_Report_2018.pdf

ⁱⁱ <https://www.gov.uk/government/publications/green-finance-strategy>

ⁱⁱⁱ <https://www.unepfi.org/events/regions-events/asia-pacific-events/unep-fi-conference-on-financing-for-a-resilient-and-sustainable-economy-in-australia-sydney/>

^{iv} <https://www.unepfi.org/fileadmin/events/2018/sydney/1-Statement%20for%20a%20Sustainable%20Finance%20Roadmap%20July%202018.PDF>