



# COP26 – The Australian Government's preparation to date

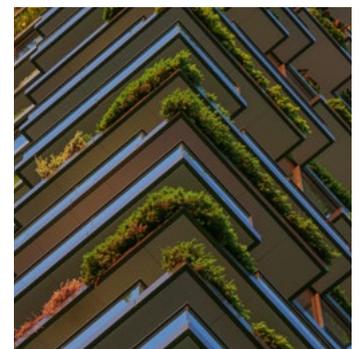
Australia is a confirmed attendee of COP26. To date, Australia has developed and implemented a series of climate change-related policies which focus on a transition away from fossil fuels towards renewable technologies. Within Australia's federal system of government, there are different policy and legislative approaches at national and State/Territory level.

## **A net zero by 2050 target to be included in Australia's 2025 NDC**

Australia is a signatory to the Paris Agreement and ratified its commitment on 9 November 2016.<sup>1</sup>

In 2015 Australia first communicated its commitment of reducing GHG emissions by 26 to 28% below 2005 levels by 2030 in its Nationally Determined Contributions (NDCs) submitted under the Paris Agreement.<sup>2</sup> The Government has stated Australia is on track to achieve this target, with an expected reduction of 30 to 35% by 2030.<sup>3</sup>

1. United Nations Treaty Collection, *7.d Paris Agreement*, <[https://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg\\_no=XXVII-7-d&chapter=27&clang=\\_en](https://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg_no=XXVII-7-d&chapter=27&clang=_en)> (accessed 27 July 2021).
2. See eg. Art 3 of the Paris Agreement. Department of Industry, Science, Energy and Resources, *International climate change commitments*, <<https://www.industry.gov.au/policies-and-initiatives/australias-climate-change-strategies/international-climate-change-commitments>> (accessed 27 July 2021).
3. Available at Department of Industry, Science, Energy and Resources, 'Australia's Long-Term Emissions Reduction Plan' <<https://www.industry.gov.au/data-and-publications/australias-long-term-emissions-reduction-plan>> (accessed 27 October 2021), page 11.



On 26 October 2021, the Australian Government released its policy document *Australia's whole-of-economy Long-Term Emissions Reduction Plan* (the **Plan**).<sup>4</sup> The Plan does not expressly state a net zero by 2050 target or commitment. Rather, the Plan announces that:

*Australia will set out its net zero by 2050 commitment through its updated NDC under the Paris Agreement. As with the 2030 target already enshrined in our NDC, Australia will not legislate its long-term net zero by 2050 target.*<sup>5</sup>

The Plan does not announce any interim emission reduction targets, goals or commitments, leaving Australia without any

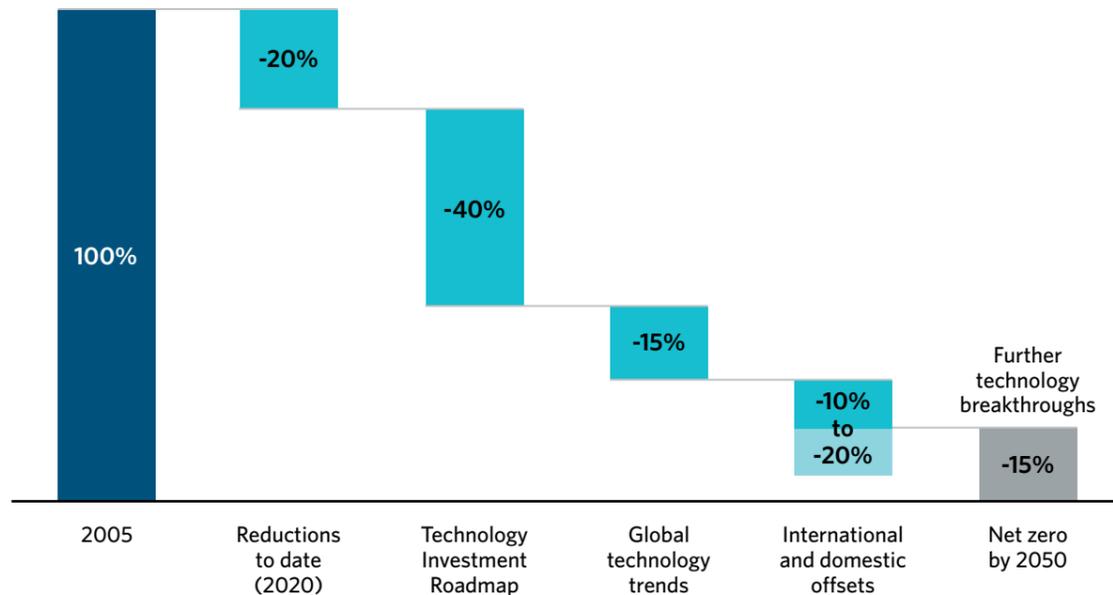
formal interim position at the national level for the period between 2030 and 2050.

The Government's Plan and previous policies are framed by reference to policy goals of also preserving energy security and affordability, economic prosperity and job security in particular in the regional areas of Australia.

**A Plan to reach net zero by 2050**

The Plan dissects the emissions reductions against 2005 levels that Australia requires to reach net zero by 2050 into different percentage categories as follows:

**Figure 2.5** Priority technology contribution to Australia achieving net zero emissions



**Source:** Based on McKinsey and DISER analysis. \*Sources of offsets include voluntary soil carbon of up to 20%, depending on cost reductions in technology and voluntary demand.

Source: Figure 2.5, the Plan page 49

**A technology driven approach**

Under the Plan, technology is to be the main driver to reduce emissions, accounting for a 40% share of the emissions reductions required to reach net zero by 2050. The Plan is aimed to stimulate rapid development of low emissions technologies, to bring these technologies to cost parity with higher emitting alternatives.<sup>6</sup> To put it simply, through

development of renewable or low emission technologies, they will become increasingly competitive and therefore economics will drive increasing uptake over time. The Government has emphasised the Plan's respect for consumer and business choice while seeking to reduce emissions and help Australian economy capture a share of emerging global markets.

The 2021 Plan refers to the *Australian Government Technology Investment Roadmap 2020 (Roadmap)*. The Roadmap makes it clear that the Government's priority driver of change is an investment and incentives framework to enable deployment of lower emissions technologies at scale. The Plan states that the Government expects it will invest over \$20 billion in low emissions

technologies this decade to 2030.<sup>7</sup> The Roadmap and Plan recognise that the private sector will place a primary role in widespread deployment of the strategy.<sup>8</sup> The Government will seek to leverage between \$3 and \$5 in new co-investment for every dollar it invests, on average, in low emissions technologies.<sup>9</sup>

The Roadmap includes the following "Stretch Goals" for priority low emissions technologies, with \$60 million funding allocated for research and development projects of use in achieving these goals now set out in Regulations under the *Australian Renewable Energy Agency Act 2011*:

- (a) Clean hydrogen under \$2 per kilogram;
- (b) Energy storage — electricity from storage for firming under \$100 per MWh (this would enable firmed wind and solar at pricing at or below today's average wholesale electricity price);

- (c) Low carbon materials — low emissions steel under \$900 per tonne; and low emissions aluminium under \$2,700 per tonne;
- (d) CCS — CO<sub>2</sub> compression, hub transport, and storage under \$20 per tonne of CO<sub>2</sub>; and
- (e) Soil carbon measurement under \$3 per hectare per year.

A difficulty with the Plan is that at least 15% of the emissions reductions required to achieve net zero are not given a clear pathway under the Plan. Rather, they are allocated under 'Further technology breakthroughs' and 'international and domestic offsets'.

**International partnerships for low emissions technologies**

As part of the Plan and the Roadmap, Australia is targeting international partnerships that

support the goals included in these policies, in particular relating to research, development and 'deployment challenges for economically important, hard-to-abate sectors'.<sup>10</sup>

Australia has entered into a Memorandum of Understanding with Singapore to advance cooperation on low emissions technologies and solutions, in particular in relation to: hydrogen, carbon capture utilisation and storage, renewable energy trade, measurement, reporting and verification of emissions.<sup>11</sup>

The Australian Government has announced partnerships to advance development of low emissions technologies with Japan, Germany the UK and others.<sup>12</sup>

**Approach of Australian States and Territories**

Within Australia's federal system of government, each of Australia's States and Territories have taken their own approach to setting policy or targets relating to emissions reduction, energy efficiency and net zero, summarised in the table below:

	Renewable Energy Target	Net Zero Emissions Target	Emissions Reduction Target
Commonwealth	None (2020 RET expires 2030)	By 2050 to be included in Australia's 2025 NDC	26-28% by 2030 (on 2005 levels)  30- 35% anticipated as a voluntary/informal expectation
Australian Capital Territory	100% by 2021 (achieved)	By 2045	50-60% by 2025 (on 1990 levels)
New South Wales	None	By 2050	50% by 2030 (on 2005 levels)
Northern Territory	50% by 2030	By 2050	None
Queensland	50% by 2030	By 2050	30% by 2030 (on 2005 levels)
South Australia	100% by 2030	By 2050	More than 50% by 2030 (on 2005 levels)
Tasmania	100% by 2022 (achieved)	By 2030	60% by 2050 (on 1990 levels)
Victoria	50% by 2030	By 2050	45-50% by 2030 (on 2005 levels)
Western Australia	None	By 2050	None

Some States have developed, or are developing, adaptation and resilience plans, with risk assessments and decision making guidance for specific sectors of the economy.

4. Available at Department of Industry, Science, Energy and Resources, 'Australia's Long-Term Emissions Reduction Plan' <<https://www.industry.gov.au/data-and-publications/australias-long-term-emissions-reduction-plan>> (accessed 27 October 2021).  
 5. Australia's Long-Term Emissions Reduction Plan, page 100.  
 6. Australia's Long-Term Emissions Reduction Plan, page 26.

7. Australia's Long-Term Emissions Reduction Plan, page 10  
 8. Department of Industry, Science, Energy and Resources, *Technology Investment Roadmap 'First Low Emissions Technology Statement - 2020'*, available at <<https://www.industry.gov.au/sites/default/files/September%202020/document/first-low-emissions-technology-statement-2020.pdf>> page 3.  
 9. Technology Investment Roadmap, page 38.  
 10. The Hon Angus Taylor MP (Minister for Energy and Emissions Reduction), *Australia's intervention to the IEA COP26 Net Zero Summit*, 1 April 2021, <<https://www.minister.industry.gov.au/ministers/taylor/speeches/australias-intervention-ia-cop26-net-zero-summit>> (accessed 27 July 2021).  
 11. Department of Industry, Science, Energy and Resources, *International climate change commitments*, <<https://www.industry.gov.au/policies-and-initiatives/australias-climate-change-strategies/international-climate-change-commitments>> (accessed 27 July 2021).  
 12. Australia's Long-Term Emissions Reduction Plan, page 92-93.



## Disclosure requirements and directors' duties

There have also been increasing expectations in the Australian legal and financial landscape for businesses to disclose climate change-related risks.

While there are no specific regulations for climate-related risk disclosure in Australia, listed companies are required to report on their business strategies and prospects for future years in their annual report including with respect to their material business risks. This includes climate-related risks where material to the business. Companies listed on the Australian Securities Exchange are also recommended to disclose, on a "comply or explain" basis, their material exposure to environmental and social risks.

Increasing expectations around disclosure of climate-related risks have also been reflected in a number of recent outputs by Australian regulators. For instance, earlier this year, the Australian Prudential Regulation Authority released draft guidance to banks, insurers and superannuation trustees on managing the financial risks of climate change. At the same time, the Australian Securities and Investments Commission has undertaken market surveillance to assess whether significant Australian listed companies are providing an appropriate level of disclosure regarding climate-related risks and whether public disclosures are affected by "greenwashing" either by overstating an organisation's commitment to emissions reduction, or indicating that products such as

financial products are more 'green' than can be objectively substantiated.

In the context of clear indications from regulators that companies should be proactively considering potential climate-related risks, there has also been an increased focus on directors' duties with respect to climate change. While directors' duties in Australia are unchanged, the increasing disclosure of, and appreciation for, relevant climate-related risks has in turn raised the standard expected of directors in exercising their duty of care and diligence. Specifically, where directors identify climate-related risks which are material to their business, they will be expected to take steps to respond to and, where practicable, mitigate those risks.

Unlike some overseas jurisdictions, directors duties in Australia are owed to the company (not its current shareholders). This typically requires consideration of the best interests of the company through the prism of the interests of its current and future shareholders as a whole, which caters to decision making promoting the long-term sustainability of the business. This has been an important facilitator for companies' investment in carbon transition activities and longer term climate-commitments and strategies.

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