

Climate Change Authority

The Australian Government

Canberra ACT 2601

consultation@climatechangeauthority.gov.au

Re: “Setting, Tracking and Achieving Australia’s Emissions Reduction Targets” Consultation

AustralianSuper welcomes the opportunity to provide an investor perspective on the consultation ‘*Setting, tracking, and achieving Australia’s emissions reduction targets*’ (‘consultation paper’), released by the Climate Change Authority (CCA).

AustralianSuper is Australia’s largest superannuation fund, with over 3.1 million members, and \$288bn in member assets under management. Our purpose and fiduciary duty are to help members achieve their best financial position in retirement.

Climate change presents significant risks to environmental, social, and economic systems globally. AustralianSuper integrates consideration of Environmental, Social and Governance (ESG) risks and opportunities into its investment and ownership activities with the aim of creating long-term value for members. As an active, long-term investor, it is important that AustralianSuper manages the physical and transition risks of climate change which can impact members’ long-term investment performance, as well as the communities and industries in which our members work.

AustralianSuper has made a commitment to achieve net zero emissions by 2050 in our investment portfolio. We also support the Paris Agreement goal to hold the increase in global average temperature to below 2°C and pursue efforts to limit temperature increase to 1.5°C above pre-industrial levels. We recognise the consensus that limiting warming to well below 2°C represents the lowest economic cost transition, which is consistent with our objective of helping members achieve their best financial outcome.

AustralianSuper welcomes near-term action on climate policy to achieve an orderly transition, including emissions reduction targets that are aligned to the Paris Agreement goals. Consistent with commonly accepted climate scenario modelling, policy should facilitate clear demand signals to incentivise the shift to a low carbon economy, in addition to supply-side mechanisms. This will help to provide greater certainty and a supportive economic environment required for low-carbon investment.

In parallel, we also welcome the establishment of a Net Zero Authority to plan and coordinate strategies across Government to ensure a just transition. This is important to support workers, communities, and industries which are a necessary part of a strong decarbonised economy.

Our comments and recommendations appear in the attachment. If there are any further questions, please contact Andrew Gray, Head of ESG & Stewardship (AGray@australiansuper.com).

Yours Sincerely



Andrew Gray

Head of ESG & Stewardship Attachment

Attachment

We propose the following recommendations with regards to emissions reduction target-setting and related policy considerations to inform the CCA's advice to Government:

- 1. Set emission reduction targets aligned with the goals of the Paris Agreement.**
- 2. Clarify how policy will support Australia's economic decarbonisation.**
- 3. Provide clear policy signals to incentivise demand for the energy transition.**
- 4. Support a just transition.**

1. Set emission reduction targets aligned with the goals of the Paris Agreement.

Australia's 2035 Emissions Reduction Target

AustralianSuper supports the adoption of a 2035 emissions reduction target that is aligned with the Paris Agreement goals. We encourage Government to set an emissions target that drives an orderly transition and is aligned with achieving net zero emissions by 2050.

Coordinated Global Policy

The IEA Net Zero 2050 report highlights that achieving a cost-effective global transition to net zero emissions will require significant international cooperation among governments¹. It has been estimated that coordinated policy is required in order to limit warming to 1.5°C, which could see the global economy gain US\$43tn to 2070, whereas climate inaction may cost the global economy US\$178tn over this period.² As a global investor, AustralianSuper supports the setting climate policies and targets that are coordinated with global economies to achieve a low-cost transition.

Near-term Policy Action

AustralianSuper supports near-term climate action to achieve a low-cost, orderly transition. Achieving an orderly transition aligned with the Paris Agreement temperature goals requires ambitious policy action in the near-term. The IPCC indicates that to limit warming to below 2°C, sustained mitigation actions are required in this decade³. This will help to avoid the economic costs of climate change, for example through damaged capital, heat stress, loss of land and disrupted supply chains⁴. This will also help to generate economic and social opportunities which may exceed mitigation costs, for example through greater productivity, job creation, human health, and resilient ecosystems⁵.

Australia's Net Zero Target

Achieving global net zero emissions by 2050, with a significant decrease in emissions prior to 2035, is required for economies to remain within a 1.5°C warming pathway with limited overshoot, as informed by the IPCC.⁶ For Australia's net zero target to be effective, Government should assess its scope and transparency, including consideration of the following:

- Plans for meaningful emissions reductions, as opposed to an over-reliance on offsets, credits, and carbon capture reserves to meet net zero;
- The alignment between Australia's pathway to net zero and limiting warming to 1.5°C;

¹ <https://www.iea.org/reports/net-zero-by-2050>

² [The turning point | Deloitte](#)

³ https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_SPM.pdf

⁴ https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_SPM.pdf and [The turning point | Deloitte](#)

⁵ https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_SPM.pdf and [The turning point | Deloitte](#)

⁶ <https://www.ipcc.ch/sr15/>

- Interim targets based on scientifically robust assumptions, including regarding the use of emissions storage and removals;
- A legally binding framework which includes a review process to measure progress and the adequacy of interim targets in achieving net zero.

Additional Supporting Targets

We also recognise the potential for a range of supporting targets to incentivise supply and demand for decarbonisation technologies and align various sectors of the Australian economy to a 1.5°C pathway. For example, Australia's target setting approach should consider the following:

- **Sector-specific targets and pathways** – Sectoral targets and pathways may help to transition the sectors of the economy, while recognising the varying transition maturity and technology challenges for different sectors. Sectoral pathways provide important information to investors regarding how specific sectors can reach net zero, and the related investment risks and opportunities.
- **Renewable energy and clean technology targets** – Clean energy targets, for example those related to renewable energy, electrification, storage technology, supporting infrastructure, clean energy transmission and distribution technology, battery technology, electric vehicles and fuels still under development such as hydrogen, should encourage investors to allocate capital to these areas. This should help development and/or scale up.
- **Biodiversity targets and plans** – Biodiversity loss and extinction exacerbates the physical impacts of climate change, and vice versa. Governments should consider policies which focus on building resilient ecosystems. For example, priority species protection, revegetation and recovery targets and plans.

2. Clarify how policy will support Australia's economic decarbonisation.

Australia faces a complex decarbonisation challenge; however, this is also a significant opportunity to establish new industries and growth opportunities for the economy. Commonly referenced key transition opportunities for Australia include the exporting and processing of critical minerals required for clean technologies, clean energy exports from solar and wind, hydrogen production, carbon capture and storage technologies, green steel and aluminium production, and biofuels.

To allocate capital at scale to new industries and technologies, investors require clarity from Government regarding how future policy will engage with and support these sectors.

3. Provide clear policy signals to incentivise demand for the energy transition.

Clear policy signals will be required to stimulate and incentivise demand for renewable energy and low carbon solutions. To be effective, policies should be stable, coordinated across various levels of government, and have broad political support.

AustralianSuper supports a policy framework which utilises both supply and demand mechanisms. The IEA Net Zero roadmap highlights that the path to net zero requires policymakers to provide increased demand-side signals to develop diverse and resilient clean technology supply chains.⁷ Key demand changes required for decarbonisation include growing demand for solar and wind generation, widespread adoption of electric vehicles, and increased energy efficiency.⁸

Future policy should include a focus on cultivating markets, encouraging innovation, and stimulating demand for low-carbon products and services. Examples of demand mechanisms include measures such as technology targets and carbon pricing regimes, or the introduction of minimum standards for buildings and vehicle efficiency.

⁷ <https://www.iea.org/reports/world-energy-outlook-2022/an-updated-roadmap-to-net-zero-emissions-by-2050>

⁸ <https://www.iea.org/reports/world-energy-outlook-2022/an-updated-roadmap-to-net-zero-emissions-by-2050>

An Economy-Wide Price on Carbon

Carbon pricing mechanisms should be robust, accurately capture the external costs of emissions and have appropriate coverage across the economy. Carbon pricing mechanisms effectively establish a market signal and therefore help to drive private investment into decarbonisation opportunities.

Policies such as the recent legislation of a Safeguard Mechanism provide an important starting point. Consideration could be given to the expansion of the Safeguard to include a larger share of national emissions over time, in alignment with limiting warming to 1.5°C.

Consideration could also be given to the implementation of a Carbon Border Adjustment Mechanism to supplement the Safeguard Mechanism. This may help to limit the risk of carbon leakage and encourage carbon efficient production processes across value chains.

4. Support a just transition.

AustralianSuper recognises the need for Australia's energy transition to be just and equitable. The frameworks established by the CCA should have regard for a just transition and the work to be undertaken by the Net Zero Authority.

AustralianSuper supports policies that provide support for vulnerable communities, and help to reskill, upskill, and transition the workforce. We encourage the development of a just transition strategy which includes plans to develop the workforce skills, education and training required for participation in new technology industries. This is important for the inclusion of workers in a strong, decarbonised economy. The strategy should consider the required investment in the programs and institutions that will prepare workers for these roles.