WIN In-House Counsel Week 2025

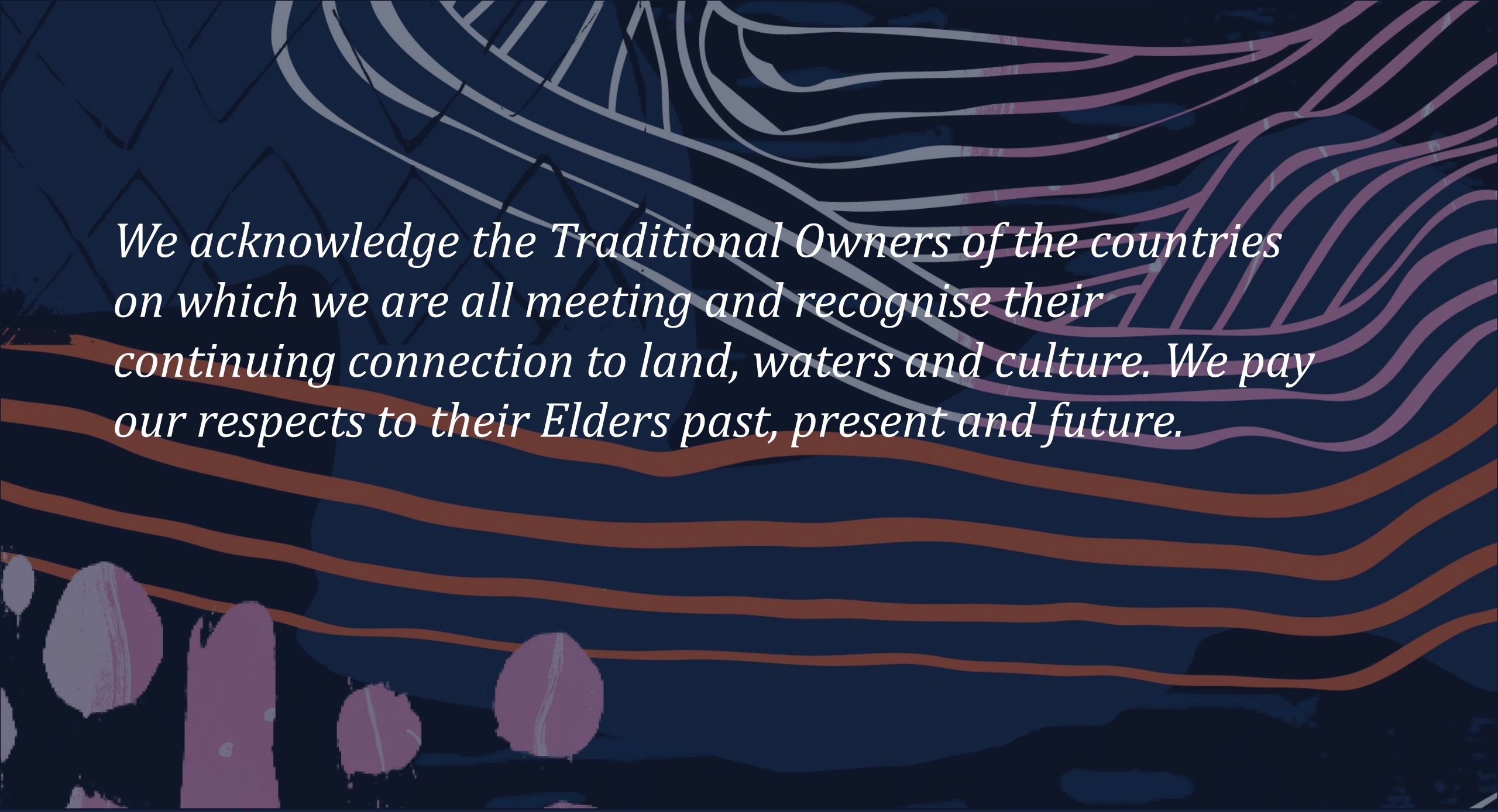
Climate and Carbon:
Obligations and Opportunities

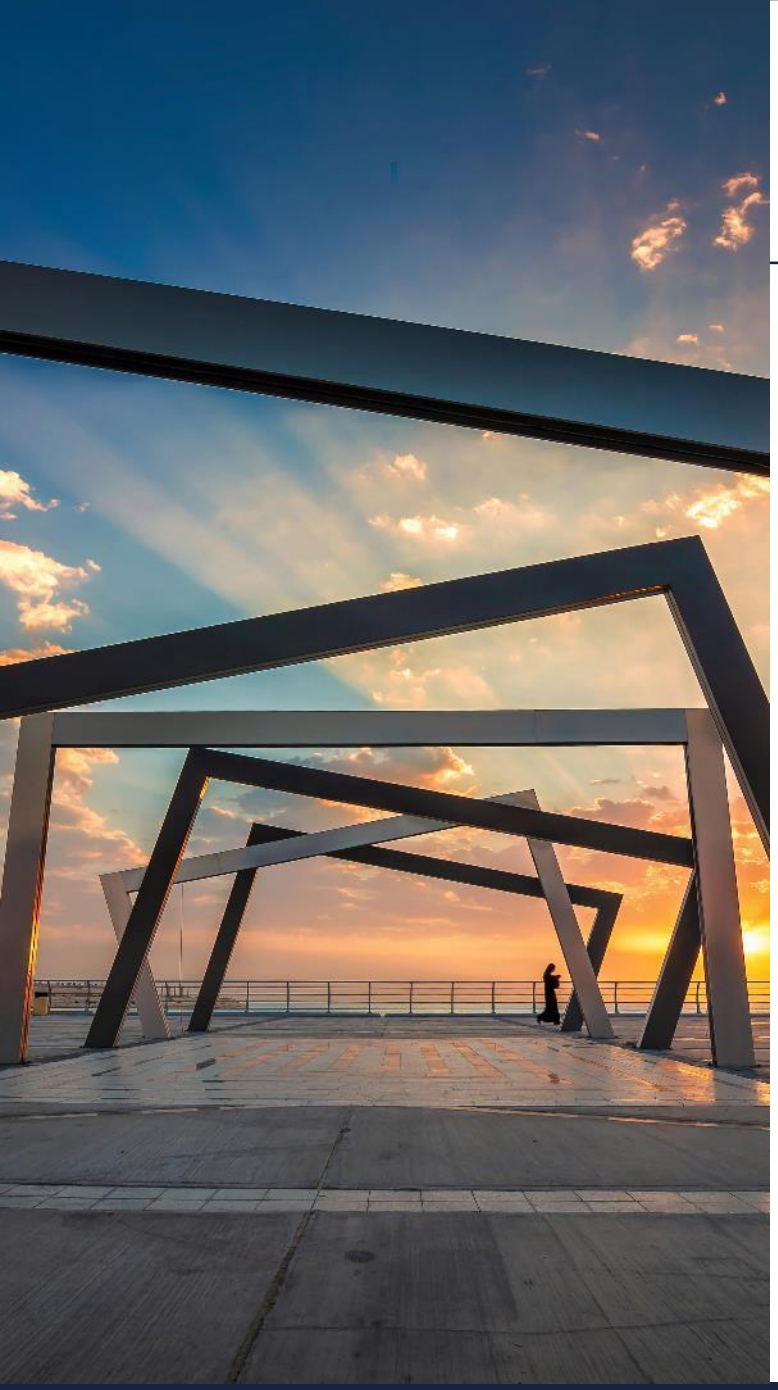
Presenters:
Daniel Street, Chris Simpson, Jade Nelson & Jack Brumpton

Tuesday, 18 February 2025
09:00 - 10:00 AWST
11:00 - 12:00 AEST
12:00 - 13:00 AEDT

DLA PIPER

WIN what in-house lawyers need


We acknowledge the Traditional Owners of the countries on which we are all meeting and recognise their continuing connection to land, waters and culture. We pay our respects to their Elders past, present and future.



What we'll cover today

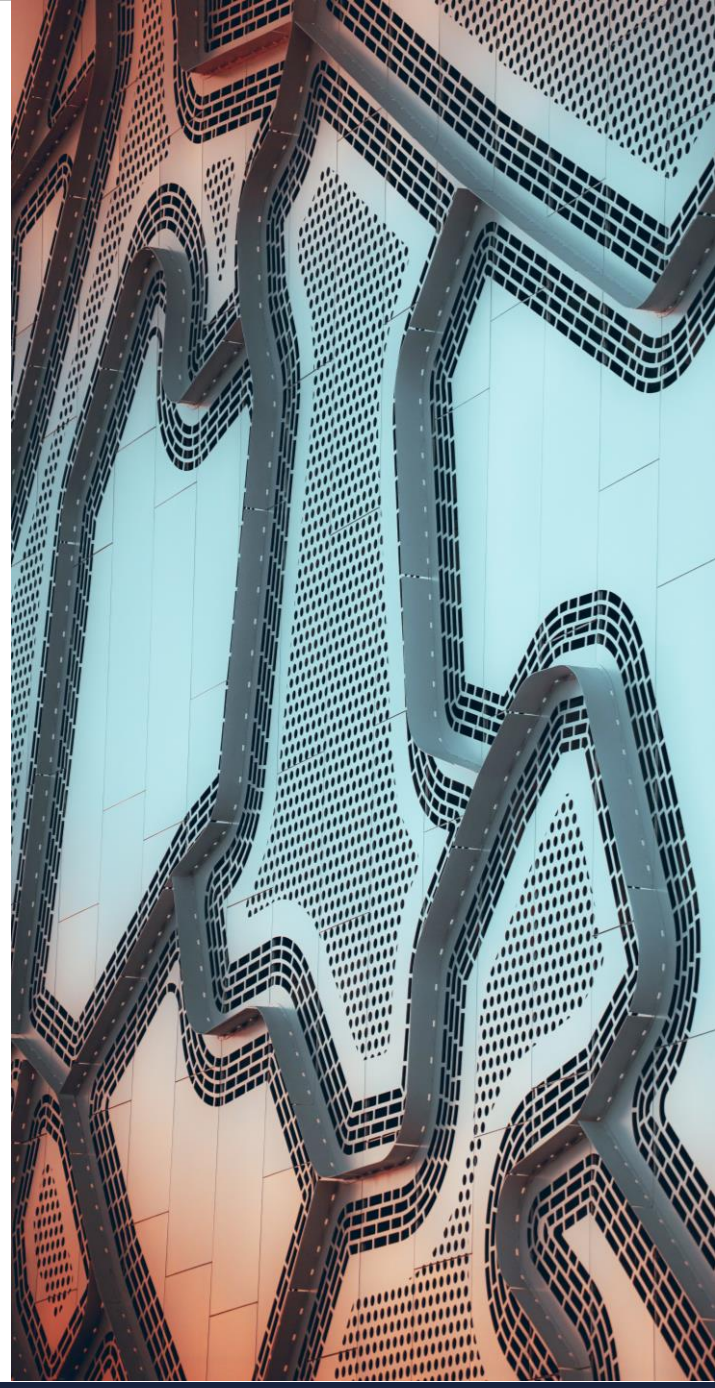
During this session we will cover:

- key elements of Australia's new climate reporting regime;
- challenges that businesses will face and decisions that need to be made in preparation for, and implementation of, business climate reporting;
- identifying opportunities in decarbonisation, and how Australia's carbon credit market can be used to buttress emissions reduction commitments, and potentially generate revenue; and
- broader opportunities and challenges of a zero-carbon mindset for key Australian sectors.


The reporting regime

Australia’s new climate reporting regime

	Status	*Next step*
Amendments to the Corporations Act 2001 and ASIC Act	Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act 2024 passed in September	✓
Sustainability Reporting Standards by the Australian Accounting Standards Board (AASB)	AASB S1 and AASB S2 approved in October	✓
Sustainability Audit Standards by the Auditing and Assurance Standards Board (AUASB)	The AUASB has agreed on phasing-in of assurance requirements and the standards will be based on IASSB’s final ISSA 5000	✓



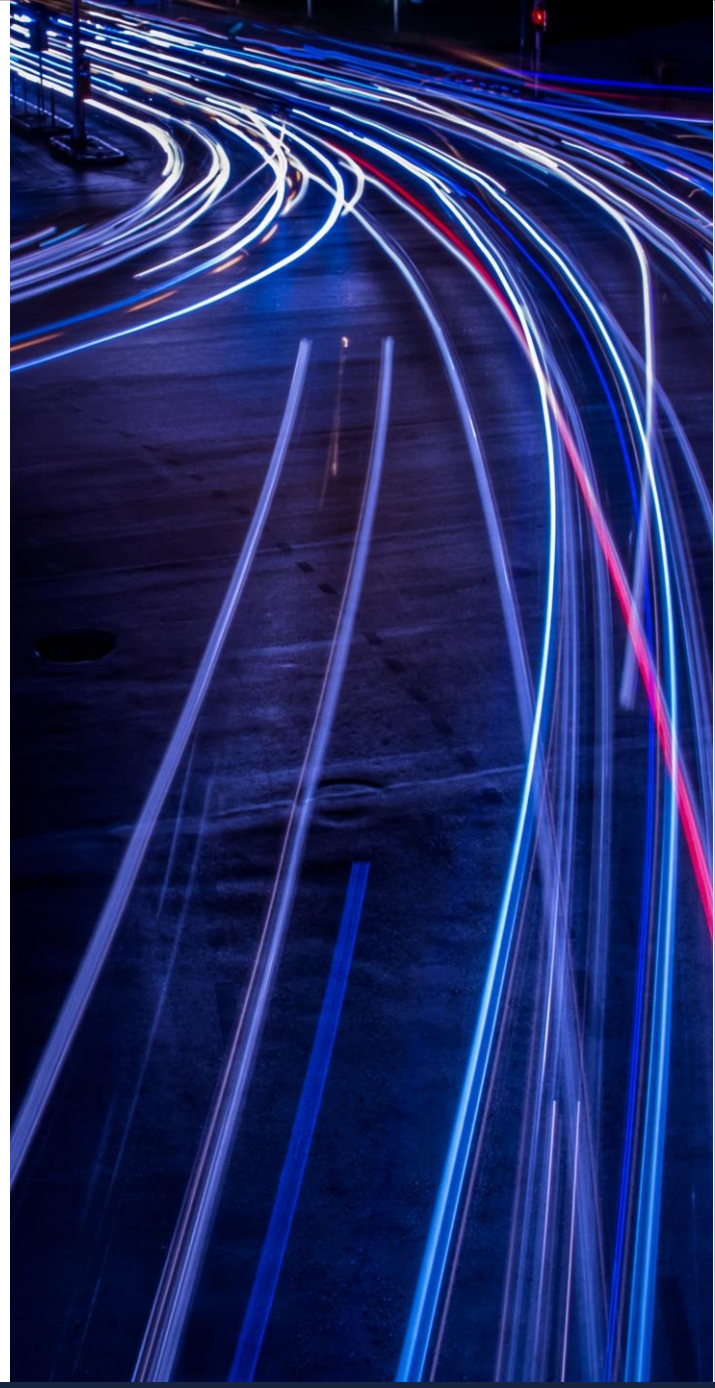
Entities captured by the regime need to prepare a sustainability report

Climate statement prepared in accordance with the new Australian Sustainability Reporting Standards

Climate statement notes, disclosing relevant assumptions and limitations that apply to their climate statements, particularly those applicable to metrics and targets

Auditor's statement, in accordance with new auditing standards (under development) – initially limited assurance only

Directors' declaration – initially a declaration as to whether the entity took reasonable steps to ensure the report meets the requirements



The four core content areas of AASB S2

Governance

- Monitoring, management and oversight of material climate risks & opportunities

Risk Management

- Risk management processes and policies to identify, assess and monitor climate-related risks and opportunities
- Integration of climate-related risks and opportunities into enterprise-wide risk management

Strategy

- Incorporation into strategy and decision making
- Current and anticipated effects on the business model and value chain
- Resilience of the strategy and business model to climate-related changes, developments and uncertainties i.e. scenario analysis
- Effects on performance and cash flows for the reporting period
- Anticipated effect on financial position, financial performance and cash flows over the short, medium & long term

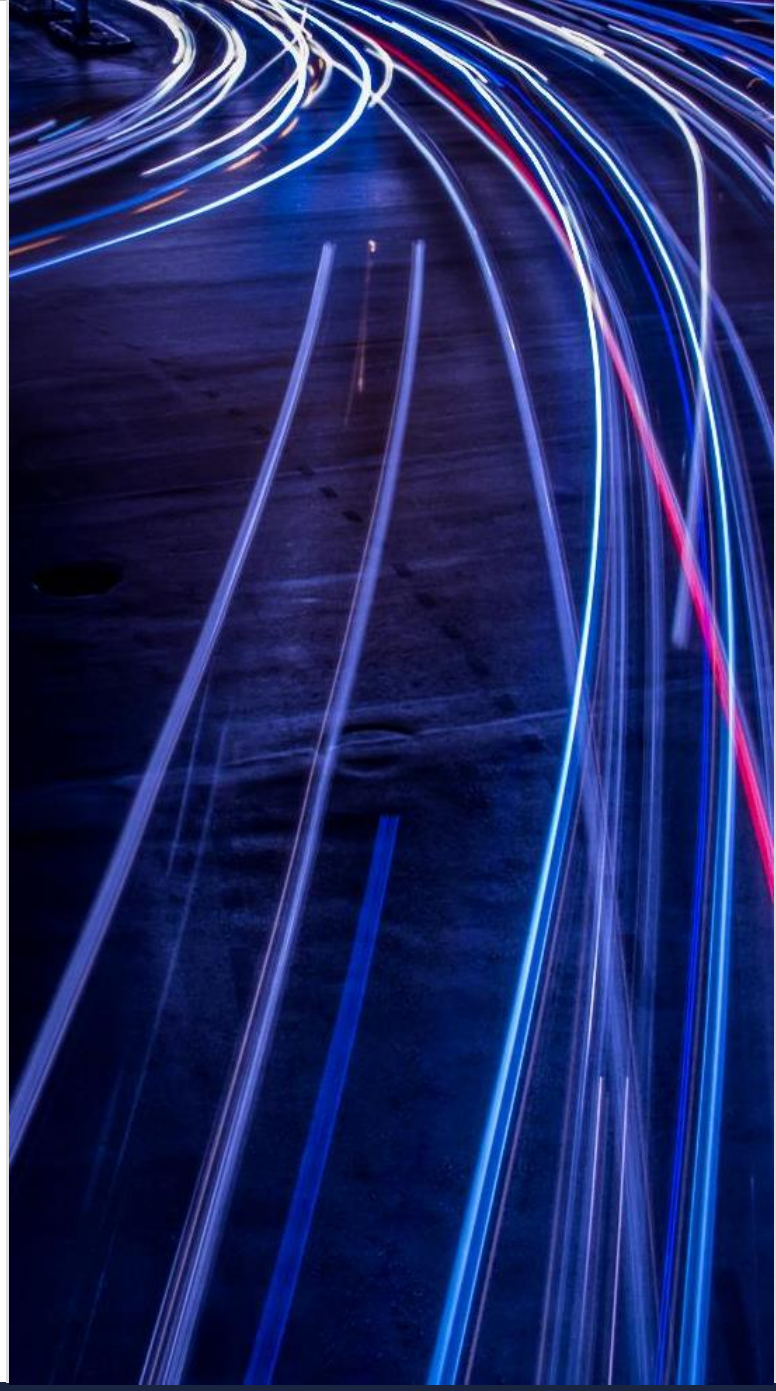
Metrics & Targets

- Climate-related targets, if any
- How targets are set, reviewed and monitored
- Performance against targets
- $ and % of vulnerable assets/business activities
- $ and % of climate-related opportunities
- Capital deployed to risks/opportunities
- Internal carbon pricing (if any)
- Executive remuneration
- Scope 1, 2 from year 1
- Scope 3 from year 2


Lessons from NZ
& the UK

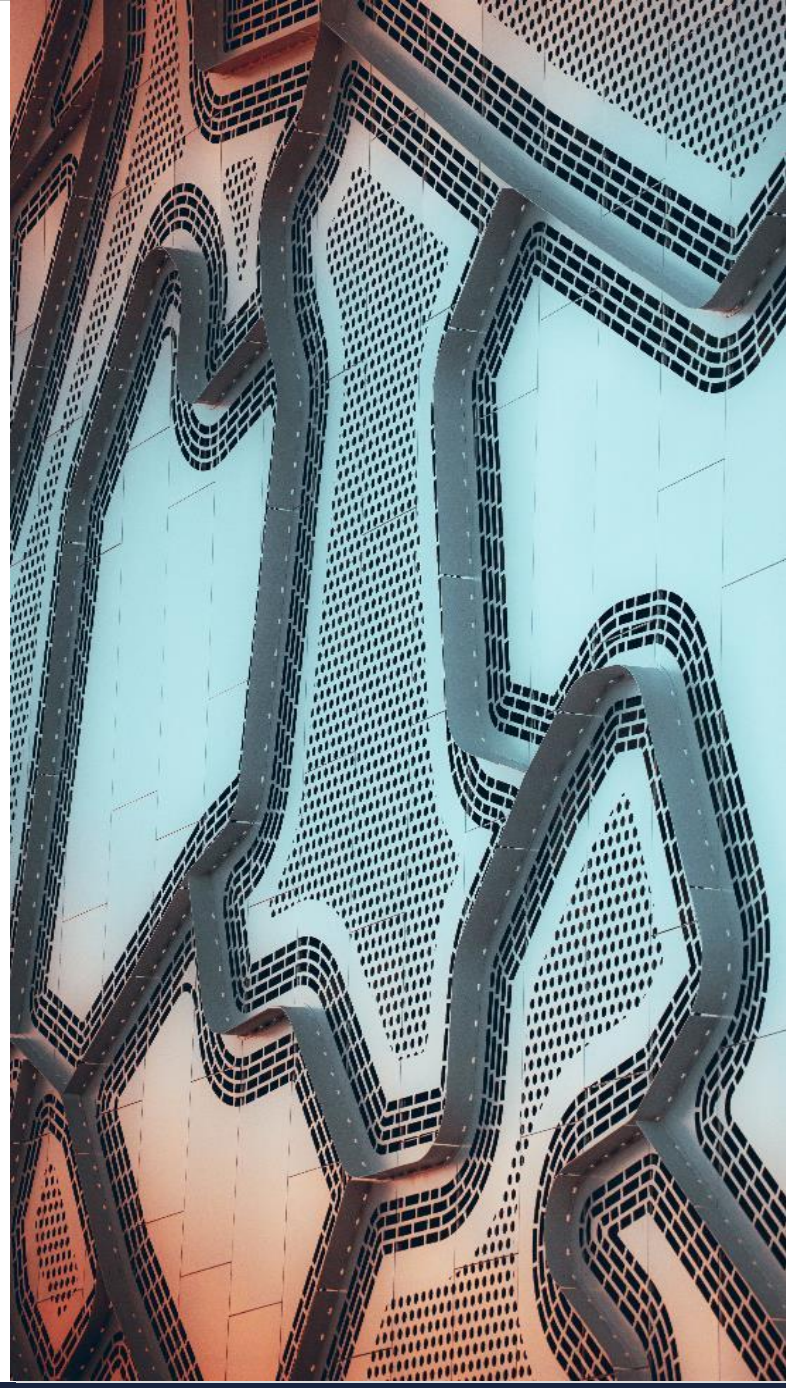
Overall observations

- Fundamental change
- Time intensive, often requiring new collaboration across multiple areas of your business, new data, internal and external assistance
- Reporting maturity will vary by sector
- What do you want to get out of it? This will be driven by your strategy and your stakeholders' expectations.
  - Reporting and compliance?
  - Deeper engagement and strategy to unlock opportunities?



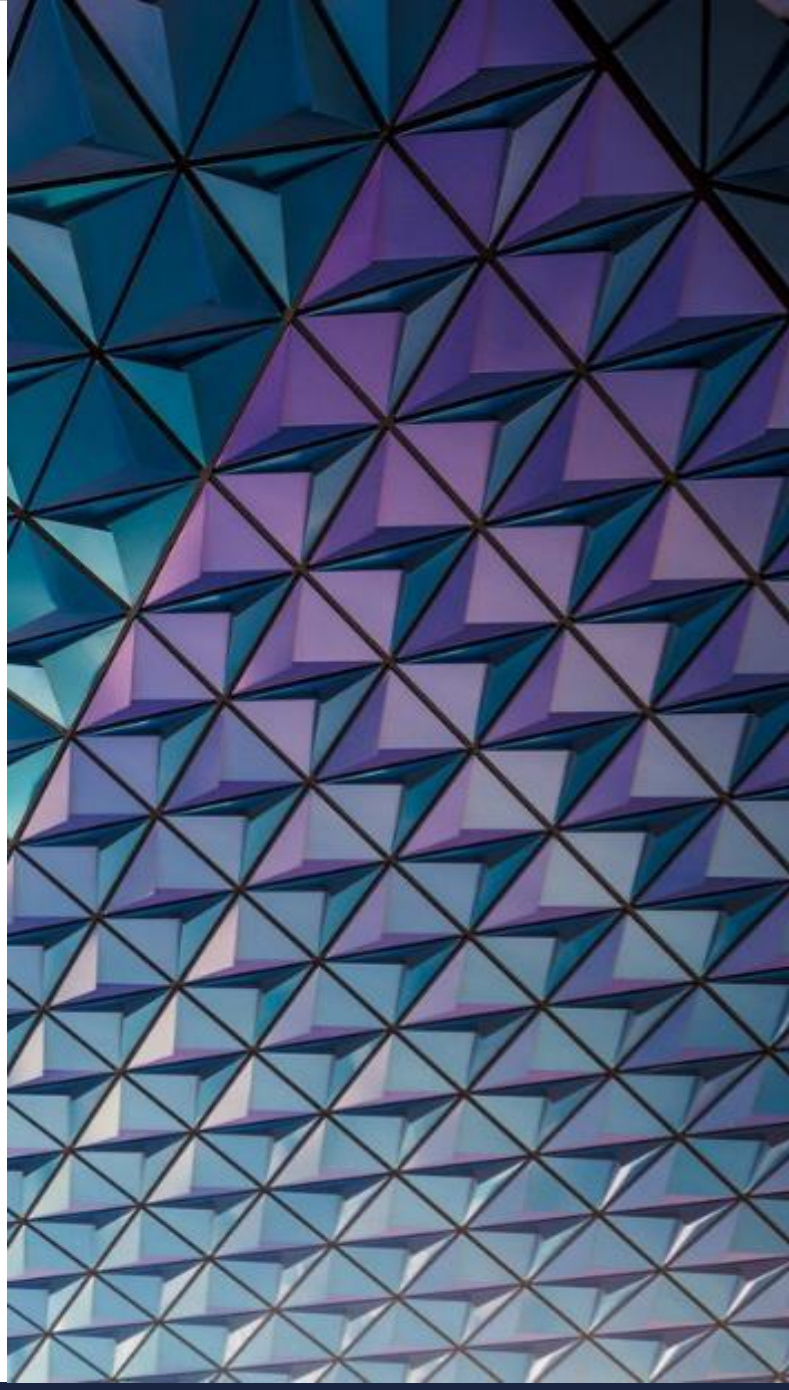
Key takeaways on the process

- What are you starting with?
- What is the internal structure that will work well for you?
- Sector collaboration key to meaningful progress - scenario analysis, interpretation of metrics
- Focus on materiality - what actually matters for your business, your sector, and your primary users – this also applies to adaptation of scenarios
- Record-keeping - internal process and decision-making; keep records of materiality decisions and supporting reasons



Key takeaways on the process (2)

- Metrics & Data – choice – multiple years and comparisons – is it decision-useful?
- Assurance - start early! Will often have questions re process and methodology
- Disclosure & Sign-off Process - all disclosures covered? Individual claims? Overall impression & omissions?

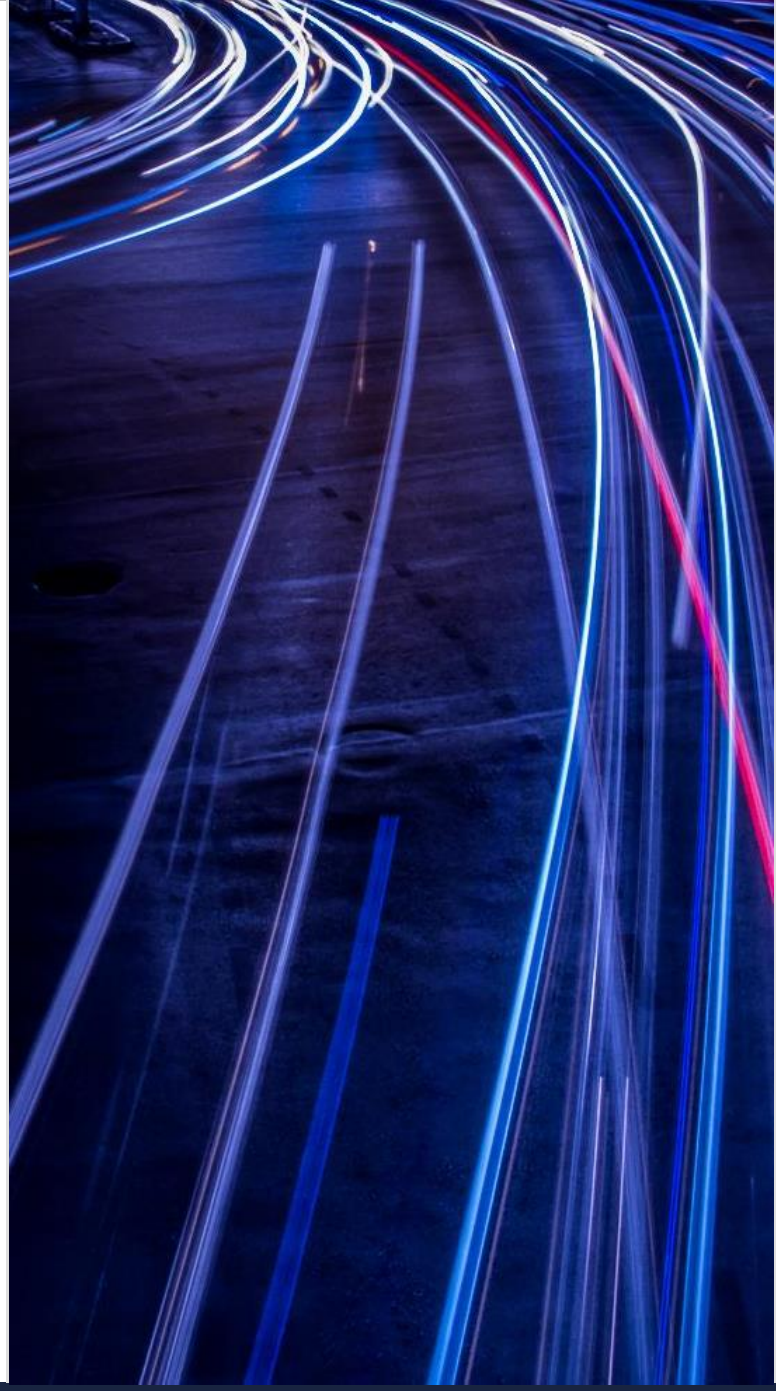


Key lessons for the report

- Be clear - tied material risks and opportunities with anticipated impacts and your strategic response

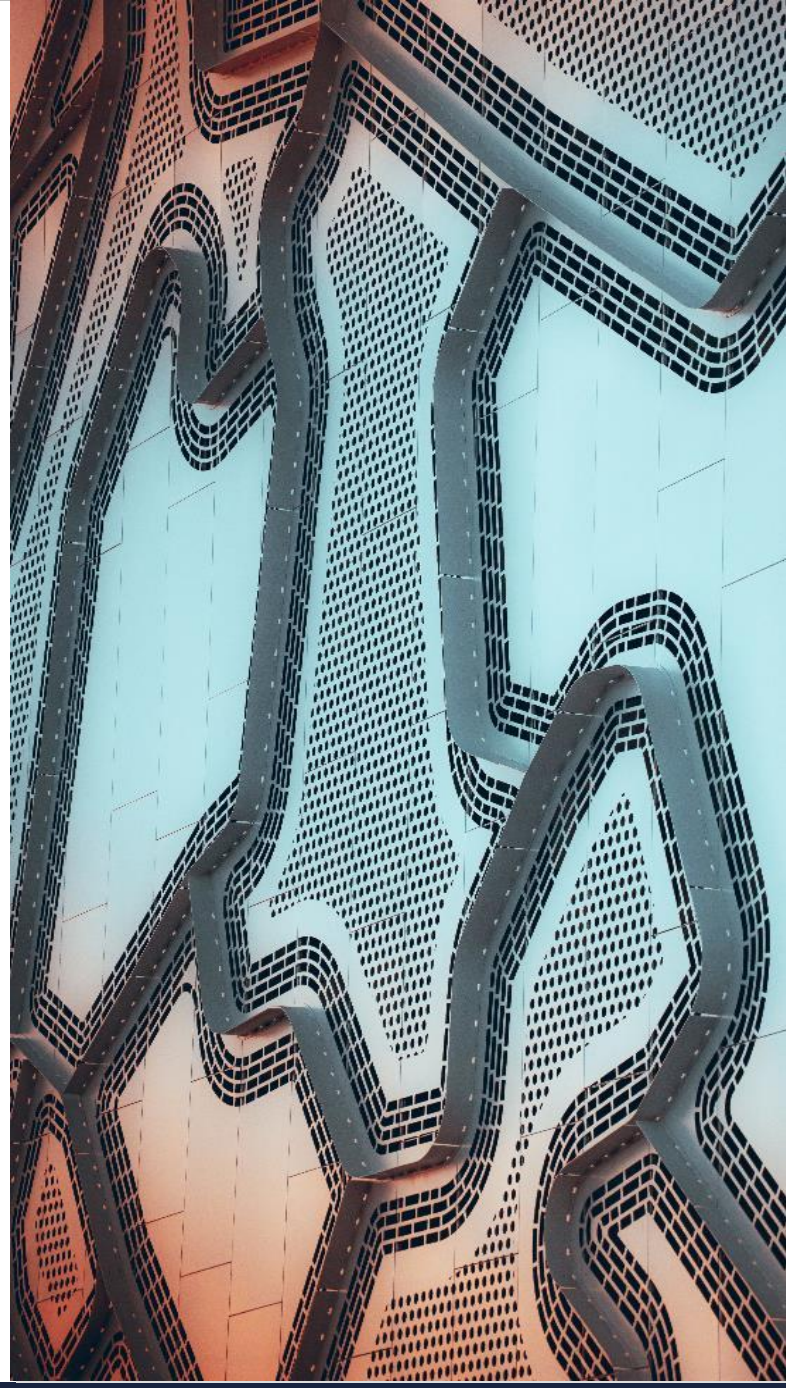
- Place disclosures in context - why is this important - how ambitious or realistic are your targets? How significant are these emissions categories?

- Acknowledge the difficulties and challenges - what are the dependencies and issues that you are going to face?



Key lessons for the report (2)

- Clear explanation of process - a lot of early climate statements simply mirrored the disclosure requirements without explanation
- Fair presentation - don't obscure the disclosures within case studies and more marketing style sections
- Consistency and coherence - ensure statements in the sustainability reporting match those in the financial statements



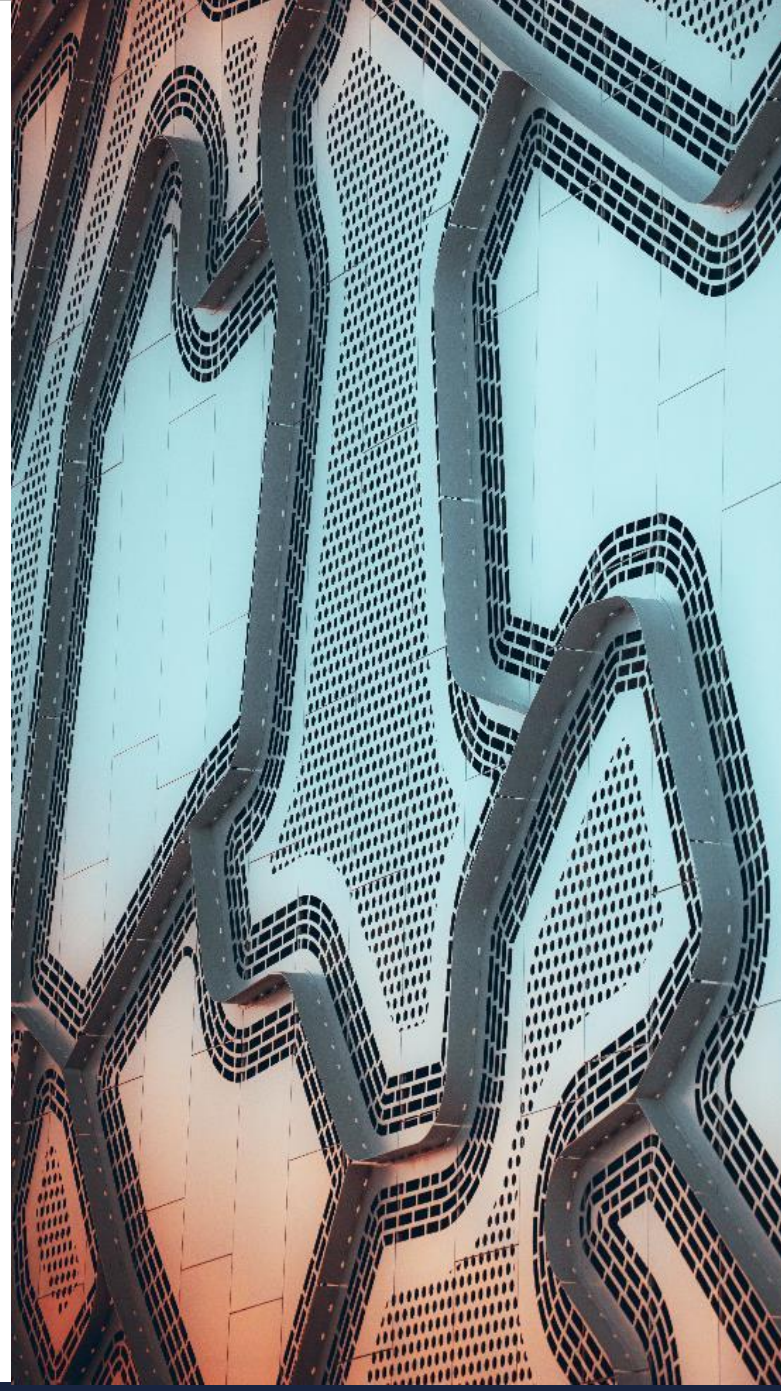

Deciding how to respond

What do you want to achieve?

Compliance

Somewhere in-between

A competitive advantage?



What are the decisions you need to make?

- Consolidation and reporting strategy
- What’s happening vs an opportunity to elevate?
- Who does the work? Where?
- Who needs to know? What do they need to know?
- What do we have to do today?

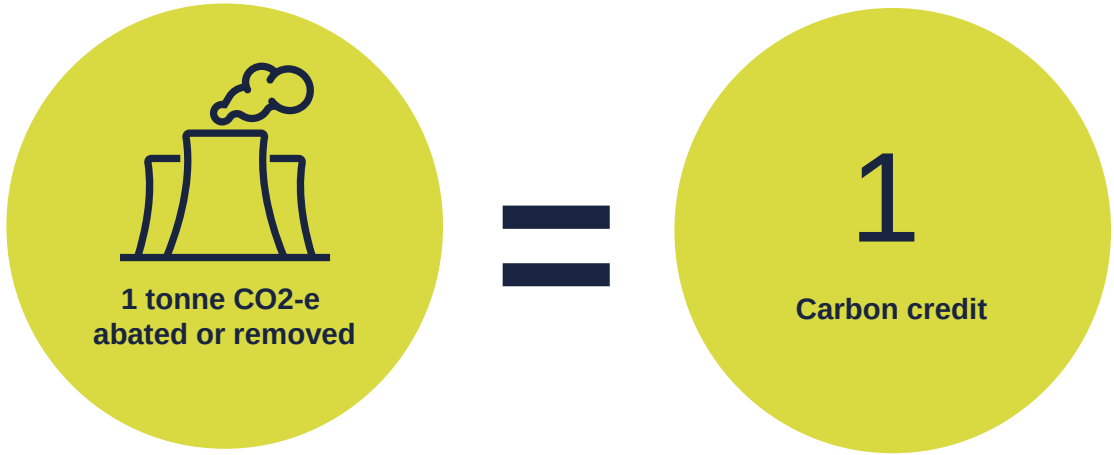
Suggested principles for responding

- Start early
- Be genuine
- Understand materiality
- Global reporting landscape
- Document and retain


Identifying opportunities

Carbon credits

- A legal instrument representing a tonne of a reduction, avoidance or removal of one metric tonne of carbon dioxide or its carbon dioxide-equivalent (CO2-e)
- Can be used by business to 'offset' CO2-e emissions
- Australia has a legislated, government-run scheme – the ACCU Scheme
- Other similar schemes exist – both government-run and voluntary



Project eligibility

- ✓ Project qualifies under a methodology
- ✓ Project meets additionality requirements
- ✓ Applicant is fit and proper person
- ✓ Applicant has legal right

Registered ACCU Scheme projects

June 2024

TOTAL
2,061 projects

Source: Clean Energy Regulator

Credit generation and use

Pre-registration

- Select method
- Check project eligibility
- Feasibility analysis

Registration

- Application for registration

Operation

- Operate project:
  - Project activities
  - Record keeping
  - Interest holder consents
  - Notification of events and changes

Claim

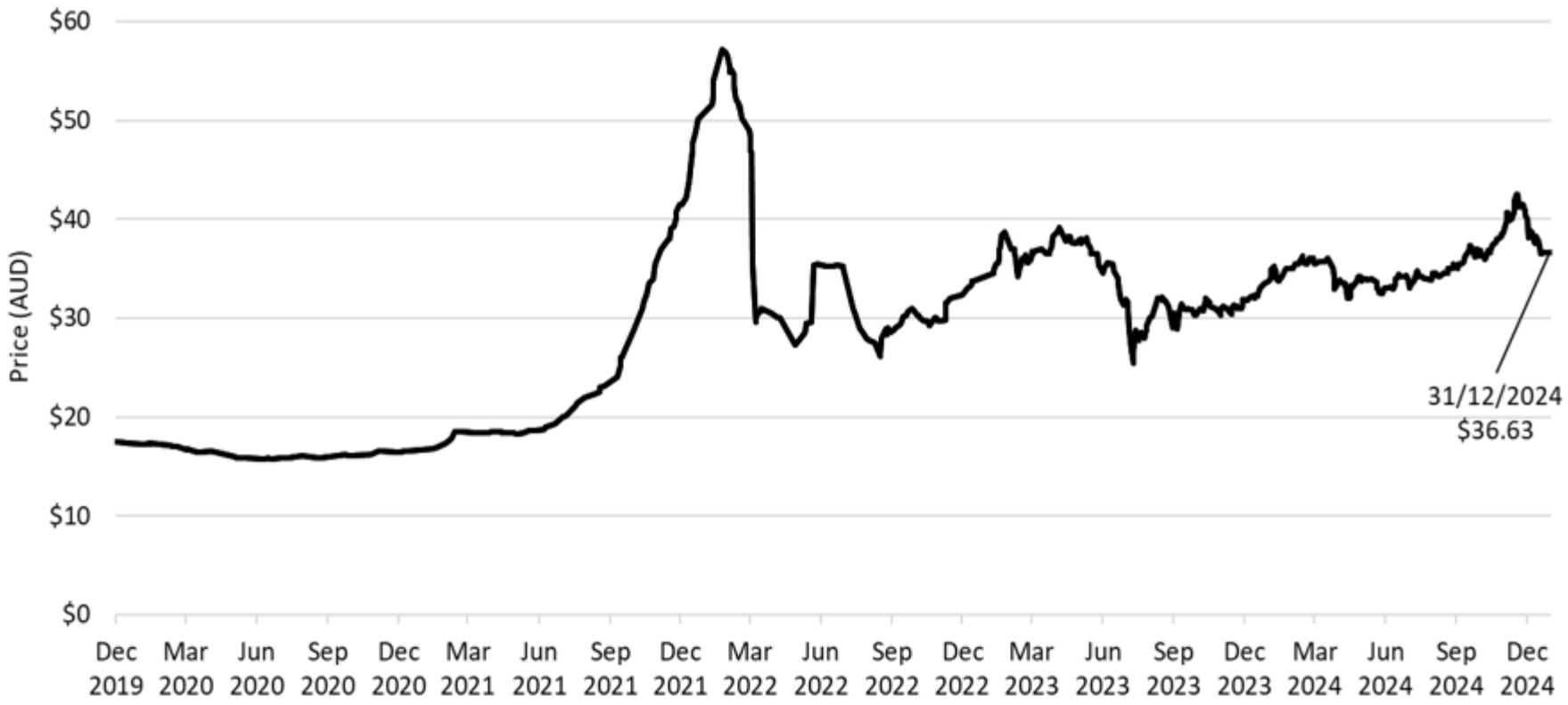
- Report at the end of each reporting period
- Audit
- Application for credits
- Assessment of entitlement

Next steps

Credits can be:

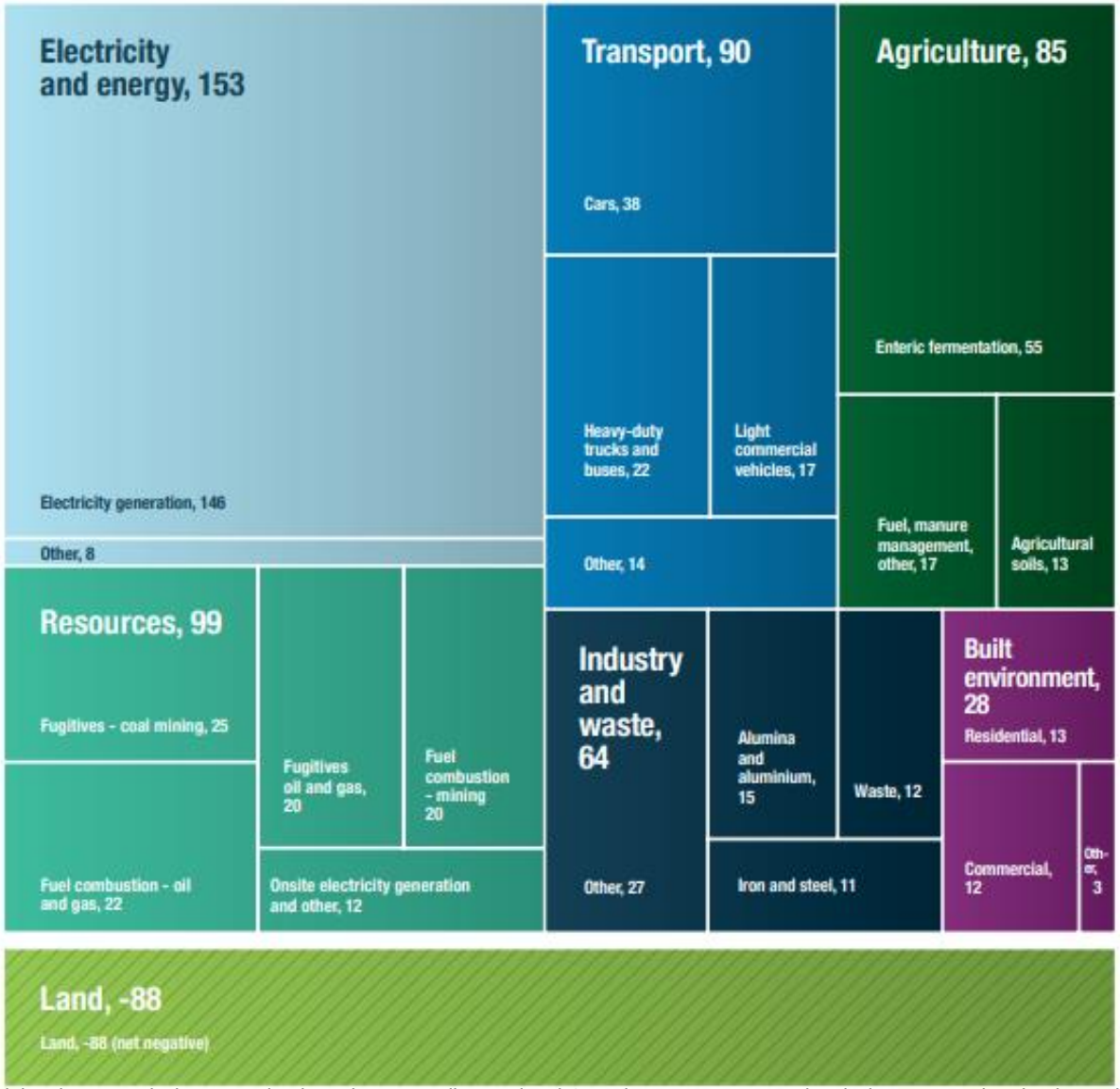
1. held (banked);
2. surrendered; or
3. sold

Weighted average generic ACCU spot price



Source: Clean Energy Regulator

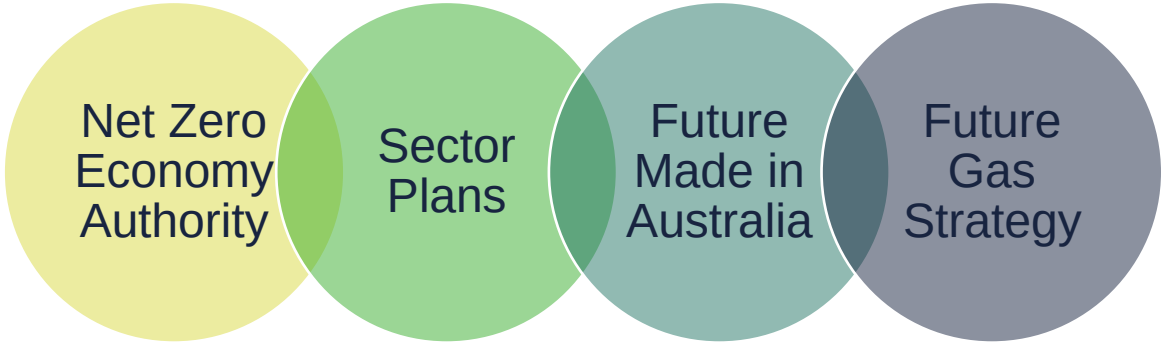
Sectorial emissions

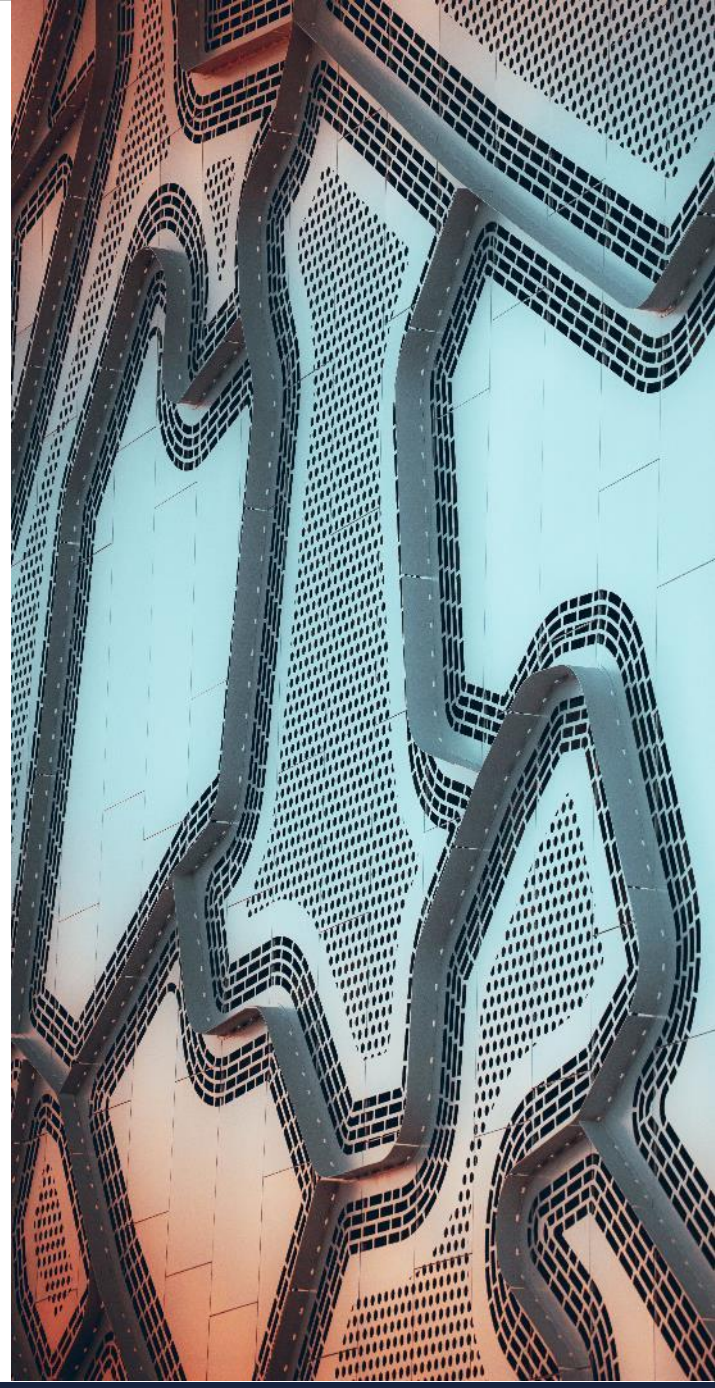


Source: Sector totals from authority national sectorial pathways emissions mapping based on Australia's National Greenhouse Accounts and emissions reported under the National Greenhouse and Energy Reporting Scheme obtained from the Sector Pathway Review 2024 published by the Climate Change Authority.

Reaching Net Zero

Australian Government's net zero plan supported by:





Opportunities to decarbonise

- **Resources**
  - Onsite renewable power
  - Electric vehicles
  - Hydrogen powered vehicles
  - Use of sustainable fuels
  - Purchased renewable energy

- **Energy & Electricity**
  - Renewable energy
  - Investment
  - Stability of supply for transition materials
  - Governance overhaul

- **Agriculture**
  - Technology R&D
  - Improvements in farming practices
  - Carbon sequestration
  - Electric vehicles – tractors/utes
  - Dual land use

Barriers to transition include:

- high initial costs
- supply chain bottlenecks & uncertainties
- technological barriers
- policy and regulation
- approval delays
- competing land interests & social licence

Future Made in Australia

- **Renewable energy and net zero transformation**: The government is unlocking over $65 billion in renewable energy investments through the *Capacity Investment Scheme* by 2030. This includes $27.7 million to integrate consumer energy resources like batteries and solar into the grid and $1.7 billion for the Future Made in Australia Innovation Fund to support new industries.
- **Solar and Battery Initiatives**: The Solar 1B initiative and the Solar Sunshot Program, managed by the Australian Renewable Energy Agency, aims to provide funding for large-scale solar projects and reduce the cost of solar power. The Battery Breakthrough Initiative, with $523.2 million in funding, supports advancements in battery technology to improve energy storage solutions.
- **Critical minerals and resources:** The government is investing $8.8 billion over the decade to add value to Australia's resources and strengthen critical minerals supply chains. This includes a production tax incentive for processing and refining critical minerals and $566.1 million to support Geoscience Australia in mapping essential resources.
- **Skills and training to build Australia's future workforce**: The plan includes significant investments in skills and education, such as $1.6 billion over five years to reform the tertiary education system and $500 million for skills and training in priority industries.
- **Defence and Economic Security**: The government is investing an additional $50.3 billion over 10 years to implement the 2024 National Defence Strategy and strengthen Australia's defence industry. This includes funding for naval shipbuilding, autonomous systems development, and civil maritime security capabilities.

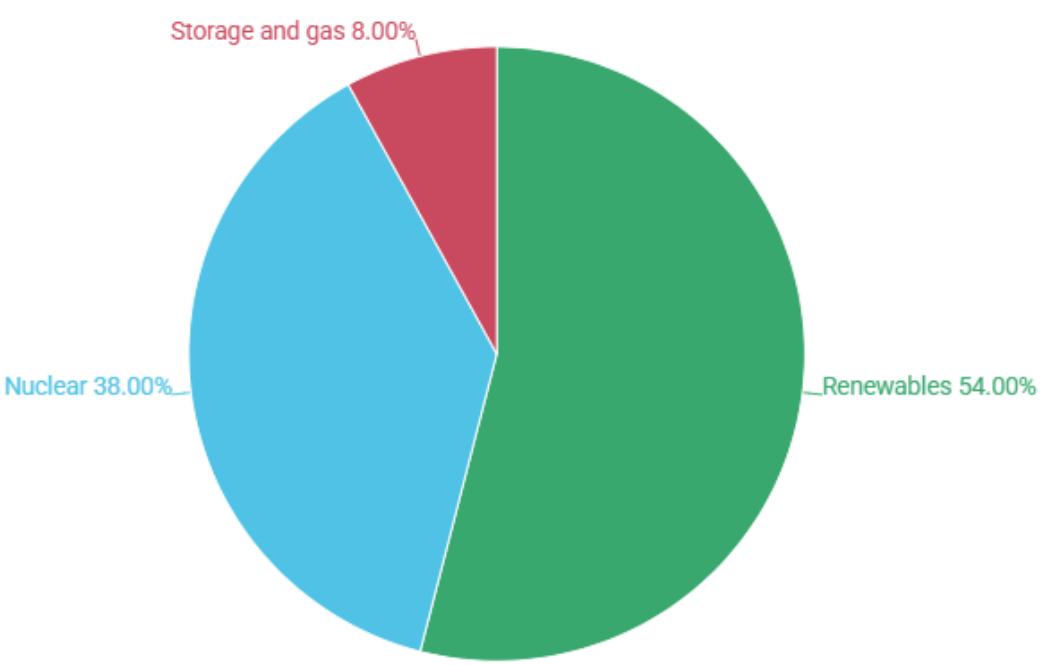
Source: Investing in a Future Made in Australia | Budget 2024–25

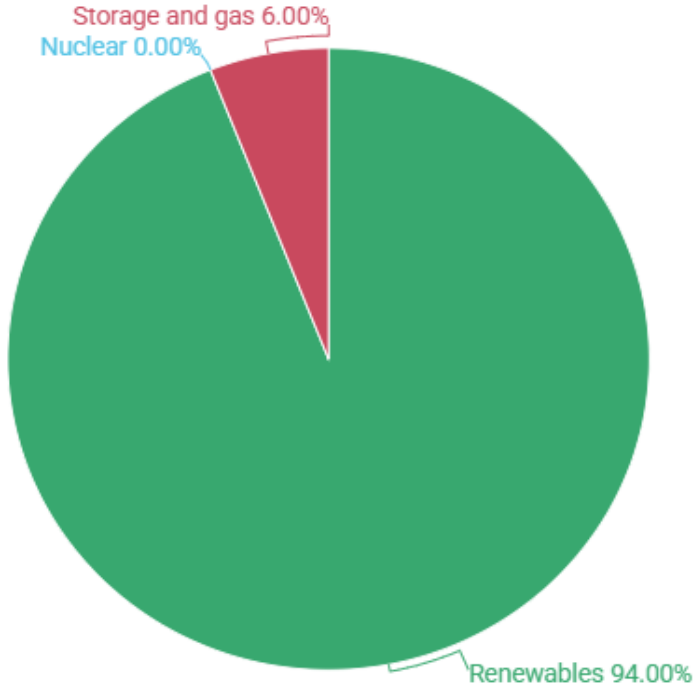
Where to next for net zero by 2050...

Paris Agreement? Trump? Nuclear? Tax concessions? Climate reporting legislation? ACCU Scheme?

Each party has different renewable policies to achieve net zero by 2050 – see graphs below:

Coalition vs ***Labor***





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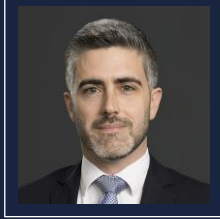
Thank you for joining our webinar:
Climate and Carbon: Obligations and Opportunities

Session presenters:



Daniel Street
Partner
Auckland
T: +64 9 300 3851
daniel.street@dlapiper.com

Jack Brumpton
Partner
Brisbane
T: +61 7 3246 4115
jack.brumpton@dlapiper.com

Chris Simpson
Senior Advisor
Melbourne
T: +61 3 9274 5022
chris.simpson@dlapiper.com

Jade Nelson
Special Counsel
Perth
T: +61 8 6467 6018
jade.nelson@dlapiper.com

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