

19 April 2024

Senate Finance and Public Administration Committee
PO Box 6100
Parliament House
Canberra ACT 2600
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Dear Sir/Madam,

Net Zero Economy Authority Bill 2024 and the Net Zero Economy Authority (Transitional Provisions) Bill 2024

About ACSI

Established in 2001, ACSI exists to provide a strong voice on financially material environmental, social and governance (ESG) issues. Our members are Australian and international asset owners and institutional investors with over AU\$1.9 trillion in funds under management.

Through research, engagement, advocacy and voting recommendations, ACSI supports members in managing ESG investment risk and exercising active ownership to strengthen investment outcomes. Active ownership, including the management of climate-related risk, allows institutional investors to enhance the long-term value of retirement savings entrusted to them to manage.

This submission draws on ACSI's long-standing practice of engagement with listed companies in relation to climate-related risks and opportunities, as well as detailed research into market practice. Our expertise is primarily in respect of Australian listed equities, with the focus on the ASX300, and our comments reflect that perspective.

ACSI recommends the Net Zero Economy Authority Bill be passed

The transformation to a low carbon economy is inextricably linked with profound social and economic change, which will need to be effectively managed. As the Paris Agreement clearly outlines, limiting the increase in global temperatures must be done in a way that integrates "the imperatives of a just transition of the workforce and the creation of decent work and quality jobs."¹

The wellbeing of communities clearly has a material link to the strength of the economy and financial outcomes² and it is widely accepted that an investor's fiduciary duties include consideration of the financial implications of climate change³. At a systemic level, a disorderly transition could increase costs to the Australian economy, due to a likely need for greater social support, potentially underfunded worker entitlements, concentrated regional dislocation and higher unemployment. These transition failures could induce social and political instability, which

¹ [ADOPTION OF THE PARIS AGREEMENT - Paris Agreement text English \(unfccc.int\)](https://unfccc.int/paris-agreement)

² Stanford Social Innovation Review: https://ssir.org/articles/entry/the_vision_of_a_well_being_economy

³ The Hutley legal opinion states that a director who fails to take climate risk into account can be in breach of their director's duty under s180(1) of the Corporations Act 2001 (Cth). See Centre for Policy Development, 'Climate Change and Directors' Duties: Further Supplementary Memorandum of Opinion', Mr Noel Hutley SC and Mr Sebastian Hartford Davis, 23 April 2021. Likewise, regulators have reinforced the position that directors and trustees have a fiduciary duty to consider climate risk in their decisions. See ASIC, 'Managing climate risk for directors', February 2021.

could have financial impacts across the market. A disorderly or unjust transition could also pose a material financial risk for investors due to potential reputational costs, stranded assets and a slower climate transition.⁴ The financial implications of a disorderly transition are likely to be significant. While they may be initially borne by specific regions, the effects are likely to spread across the economy.

ACSI therefore welcomes the Net Zero Economy Authority Bill. We support the Objects of the Act, which include to:

- a. promote orderly and positive economic transformation as the world decarbonises; and
- b. facilitate the achievement of Australia's greenhouse gas emissions reduction targets; and
- c. ensure Australia's regions and workers are supported in relation to, and benefit from, Australia's transition to a net zero emissions economy.

We see each of these aims as necessary to promoting an orderly transition, which should result in better economic outcomes, take account of the needs of various stakeholders, and enable better management of uncertainty and volatility. ACSI supports the functions of the Authority as proposed in the legislation. The Authority's role in facilitating investment in the transition will also be important to Australia achieving its climate targets.

ACSI recommends the Net Zero Economy Authority Bill and transitional provisions be passed in full.

I trust our comments are of assistance. Please contact me or Kate Griffiths, Executive Manger – Research and Policy (kgriffiths@acsi.org.au) should you require any further information.

Yours faithfully



Louise Davidson AM
Chief Executive Officer

⁴ ACSI research paper ['A just transition to a clean energy economy'](#), Dec 2022.