

CONSULTATION PAPER

Response to Treasury's consultation on voluntary climate transition plan guidance

OCTOBER 2025



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PROPOSED APPROACH FOR THE TRANSITION PLAN

Consultation questions	ERM response
1. Do you support transition plan preparers being the target audience for using the guidance?	We support these being developed for preparers of transition plans. We note that the guidance is not always clear in that it is discussing the development of transition plans as separate from the development of transition plan disclosures. The document needs to be revisited to determine which of these is the core intent and to ensure that this is clear throughout.
2. Do you have feedback on the proposed design principles that underpin the draft guidance? a) Internationally aligned b) Supports domestic decarbonisation and adaptation c) Balances ambition and flexibility d) Climate first but not only	Some points of departure for our comments: - "the transition" needs to be understood as including to a warmer and non-stationary climate; transition planning must include adaptation. We can no longer afford to have separate decarbonisation and adaptation plans. They need to be considered as part of the same process. - transition planning guidance is more important than transition plan disclosure guidance, and these are not the same thing. XRB resources are almost unique in their focus on actual transition planning guidance. - decarbonisation and adaptation planning approaches have taken very different approaches in the past, and transition planning could leverage dynamic adaptation pathways approaches rather than get stuck on decarb trajectories that are either out of sync with real world conditions (ie unsupported by policy or tech), dependent on offsets or irrelevant to a company's material risks. - Australian companies know how to do strategic planning, but they don't know how to integrate climate into it, and that's the bit that guidance should focus on. - There's a lot of overlap in the disclosure aspects of the TPT framework and the AASB S2 framework (governance, metrics, targets, etc); where guidance is best focused is in providing guidance on how to do the implementation strategy bit. - with nature and other sustainability issues coming down the pipeline, the aim should be to use one strategic process to produce one transition plan, not to produce a pile of different disclosure requirements. a) This is totally focused on international alignment of disclosures. There is a lot of slippage in the Treasury paper between focusing on disclosing the transition plan and actually doing the transition planning work, these are not at all the same thing. It would be helpful for Treasury to clarify which task each principle applies to (be this development of the plan,

	or disclosure of the plan). International alignment is not necessarily useful for actual transition planning. b) This principle supports domestic decarbonisation and adaptation: as in, through implementing the transition plan, or through disclosing it and allowing users to make decisions accordingly? This principle as written applies more to transition planning itself than to disclosure. c) Balances ambition and flexibility: it should overtly refer to adaptation as well as decarbonisation; companies need to understand that their transition plan is as much about strategies to adapt to a changed natural environment as it is about reducing emissions. Again this focuses more on the development of transition plans than on their disclosure. d) Climate first but not only: this section seems to suggest that other sustainability considerations are additional to climate, however, section 1.2 acknowledges that climate transition need to incorporate clear consideration of environmental and social outcomes through additional consideration of nature, circular economy and just transition. If these considerations represent a material risk they should be included in this principle.
3. Are there other principles or considerations the guidance should prioritise and why?	A company's transition plan should be its strategic response to climate change and should map out how it is going to retain its relevance in a carbon free economy and a much changed natural environment. A principle of integration into business model and strategy would be helpful.
4. If you are an end user of transition plan disclosures, are there additional considerations you would like to see included?	A clear narrative on how the transition plan includes articulation of what the future company's business model is, and how the transition plan has been tested for resilience would be useful.
5. Do you intend to use the International Financial Reporting Standards Foundation's Transition Plan Taskforce (IFRS TPT) disclosure framework to either develop your organisation's transition planning or for investment and lending decisions? What other alternative	• Yes, as a key facet of transition planning, and subsequently transition plans, is to disclose material climate information in a globally consistent structure. Deviating from this structure will impact the international comparability of plans and may hinder the objectives of this regime, as well as the organisation's credit score and access to capital. • However, the degree to which the IFRS TPT framework is used will vary and evolve. For example, the organisation's transition plan may be structured based on the 5 pillars outlined in the IFRS TPT disclosure framework, but the level of detail, or credibility, will vary and mature over time.

frameworks do you intend to use?	• Guidance from the investment community, such as the IGCC and GFANZ, will also be used to inform transition planning and the level of detail disclosed in transition plans. • In terms of actual transition planning, the XRB guidance is much more useful than the disclosure framework. The TPT framework gives you a skeleton of the finished product, from which you can reverse-engineer a process that may or may not be robust, but the XRB guidance shows a process that if followed makes it hard to skip over critical steps.
6. Are there areas where you think the guidance should be more prescriptive and/or are there areas where you think it should be more flexible and why?	• Areas where the guidance could be more prescriptive are centred on supporting domestic policies and objectives concerning climate and finance, while remaining globally comparable. There is already an abundance of frameworks covering organisational decarbonisation, there is little guidance on development of transition plans inclusive of uncertainty and adaptation. The Treasury's best use of resources is to focus on distilling available information, extending this to due consideration of adaptation and resilience, clearly explaining why and how organisations should support domestic policy, including what tangible actions to embed in organisational strategies. • This means the existing, global guidance on transition planning and transition plans will be leveraged (IFRS TPT), ensuring they remain globally comparable, robust and credible, while clearly outlining key considerations and actionable steps for suitable organisations to support Australia's decarbonisation and/or climate resilience. Ideally, the considerations, suitability, and tangible actions should be categorised by the type and/or characteristics of reporters/organisations. For example, by financial entity vs real-economy organisation, domestically incorporated organisations vs overseas, an organisation captured by NGER and Safeguard, and whether they're operating in any of the 6 key sectors for which Australian decarbonisation pathways exist. • This supports Treasury's plan for "the final guidance is intended to help organisations to appropriately consider, plan and implement their climate strategies in the Australia-specific context. This includes raising key domestic policies that organisations may consider when developing their transition plans and providing guidance

	on how these considerations might be embedded in organisational strategy” (page 9). • Following the release of the National Climate Risk Assessment and National Adaptation Plan, more explicit guidance on why and how organisations should support this in transition planning would be beneficial • Ideally, the why and how should include benefits to the organisation. For example, how it may support in attracting investment, support credit ratings, and potentially participate in Australia’s sovereign green bond framework. • Finally, what do Australian investors specifically want to see, and how does this support the adoption of Australia’s Sustainable Finance Taxonomy
7. Do you see a need for further sector-specific guidance? If so, what additional advice would you consider beneficial and where do you see a role for government?	IFRS standards refer to SBTi as a basis for the development of metrics and targets. This being the case there is value in sectoral information being available for Australian companies. This should align with the sector plans released in support of Australia’s 2035 target. It could be embedded in the policy advice section.
8. Please provide any additional feedback from a transition plan preparer, user or broader stakeholder perspective on the direction and design of the guidance.	Reference is made to the comment on question 2: Climate first but not only – climate should not be considered in isolation.

SPECIFIC FEEDBACK ON THE 'DRAFT TRANSITION PLANNING GUIDANCE'

Consultation questions	ERM response
When providing feedback on the draft guidance, please consider: a) Are there areas that could be improved to make the guidance more useful?	More attention should be paid to adaption aspects of the transition plan in the intro section of the document, figure 1 speaks to setting ambitions and associated targets and metrics, do these include resilience metrics? This is detail is well presented through the rest of the document, it should be referred in the intro. Section 2.2 is called Adaptation and Resilience, but only has adaptation as a subject matter; this section would benefit from some consideration of resilience – resilience could be discussed in the context of speed of recovery from extreme events be these physical, financial or governance.
b) Is the level of proposed detail sufficient? If not, what additional advice or detail would you like to see provided in the guidance and in which sections and why?	It is difficult to answer this question when the guide varies between the development of transition plans and their disclosure. Once this separation is clarified it will be possible to comment on detail.
c) Would further use of case studies or examples be of assistance in the guidance? If so, feedback is welcomed on potential case studies or examples.	Illustrative case studies of what would be considered minimum compliance would be useful.
d) Are you aware of other relevant material that should be included in Appendix A and why?	No

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