

Triple A+: The business role in accelerating Australia's climate recovery Ambition, Action, Accountability

- Since 1991, Business Council for Sustainable Development Australia (BCSDA) has worked with our members to deliver pragmatic solutions for sustainable action and to advocate for policy levers to support their implementation.
- This Report continues this work with a focus on the most urgent actions needed now from both Australian business leaders and policymakers to halt temperature rises and begin the process of climate recovery.

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About this Report

This Report will lay the groundwork for future climate policy positions in 2023 as it drives the interconnected business/policy agenda to COP28. And beyond.

The scope of this Report looks across the short and medium term – helping to identify where business can prioritise and are prioritising near-term action across sectors, value chains, and enablers, in line with a 1.5-degree pathway.

Executive summary

The Business Council for Sustainable Development (BCSD) Australia has worked with the World Business Council for Sustainable Development (WBCSD) and its members and engaged its own member organisations (companies, government owned corporations, philanthropy, and higher educational institutions, NGOs) to develop a business implementation agenda to build on out of the 2022 United Nations Climate Change Conference (COP27) in Sharm El Sheikh, Egypt.

This Report serves as a tool for business to drive specific intervenitons for accelerating the global decarbonisation of business, involing business leadership with closer government collaboration to

- Sharpen Accountability
- Raise Ambition; and
- Deliver Action at speed and scale

Collectively, these interventions with business can radically advance the international climate change agenda in the next five years. In this report we hope to offer practical response to the COP27 President's challenge for the climate agenda to move away from launching pledges and towards project implementation at scale, particularly as at COP28 (2023) there will be a Global Stocktake of Action to date.

It is also aimed at policy makers to consider as part of their domestic legislative agendas to support private sector effort towards ambitious action.

The report puts forward proposals and policy ideas to raise Australia's ambition level, scale up action in systems transformation and, most critically, move beyond mere commitments and targets to establish a holistic corporate climate accountability system so as to crystallize the contribution of business in the delivery of Nationally Determined Contributions (NDCs).

A Portfolio of Interventions Approach

- 1. To sharpen business **accountability**, three priorities have been identified that can all be initiated during COP27 and developed fully towards COP28:
 - a. **Create alignment of the corporate carbon accountability system**. This includes the promotion of clear and vocal business support for the ISSB Prototype under development to become the mandatory global baseline for climate reporting
 - b. Establish strong foundations for the carbon accounting system, by **upgrading the Greenhouse Gas Protocol and developing methodologies and data exchange protocols for Scope 3 emissions**;
 - c. Develop a **Global Corporate Carbon Accounting Aggregation Mechanism**, to link corporate data into national emission reduction progress reports

To raise **ambition**, five practical action areas have emerged as key priorities:

- 1. Get more companies to set credible targets for emissions reductions, and take accountability for their progress
- 2. Raise NDC ambitions in partnership with business
- 3. Advance partnerships with business to implement carbon pricing
- 4. Accelerate an equitable and inclusive net-zero transition in key business and industry sectors
- 5. Unlock the potential for high integrity Natural Climate Solutions (NCS)

To deliver on **action** now, for impact by 2025, working with WBCSD we have identified a series of focused interventions to scale progress in key economic systems (Energy, Industry, Built environment, Mobility and transport, Food and agriculture and Capital Markets). Key new action areas include:

- 1. Develop transition pathways and investment plans with National Gas and Coal Companies
- 2. Develop guidance and methodologies for avoided emissions to accelerate innovation of business solutions.

1 Snapshot post COP26

In the last few years, and particularly in the lead up, during and even immediately after COP26, the number of climate commitments – including those pursuing net zero by 2050 and earlier – from the private sector has dramatically risen. The reasons for that are numerous – a willingness to show leadership, necessity to demonstrate action, pressure of legislators, etc. More and more businesses are seeing an opportunity in the zero carbon economy and taking action on climate change – bold commitments to zero carbon electricity, zero carbon vehicle fleets, increasing commercial demand and business investment in climate solutions. Each sends a strong signal from business to government in support of ambitious climate policy.

It is also a signal – and in some cases a tool – used by policymakers and regulators (for example, in France for energy sufficiency, plastic recycling, biodiversity, climate-friendly advertising).

These initiatives trigger new questions such as the credibility of commitments, the transparency of process, the accountability towards results and the environmental efficiency of this approach. Companies, in addition to the previous challenges, also must assess the multiple initiatives, and the risks of transformation into mandatory and legally binding commitments. Government must also use this as both a strong vote of confidence and advance ambitious policy priorities that provide companies with the clarity and confidence to unlock further investment and innovation in climate solutions.

Climate collectives are driving climate action

There are now more than 8,300 businesses signed up to the UN Race to Zero campaign, according to UK COP26 President Alok Sharma in a recent keynote speech. This is a 60% increase since the COP26 summit in Glasgow last year.

"If you've not joined, I urge you to recognise the enormous opportunities of joining, and indeed the immense risks of lagging behind. Net zero is one of the clearest economic trends we've ever seen, and the benefits in terms of growth and jobs are profound," he said.

The EU has recently taken steps to halt its consumption of products linked to illegal deforestation – a key point of progress on the deforestation pledge announced at COP26. Virginijus Sinkevičius, EU commissioner for the environment and oceans, recently told an audience that new legislation will make businesses accountable for what they produce, trade and supply to ensure that all products entering EU markets are deforestation-free.

The scale of the opportunity presented by the energy transition is now manifest, as is the critical nature of global partnerships. These partnerships are forming, with many climate action collectives being led from the corporate side. The We Mean Business Coalition, the Mission Possible Partnership and the First Movers Coalition are among such initiatives, representing major multinationals as well as national governments that are working together on aggressive decarbonisation, particularly in hard-to-abate sectors like steel and cement.

When it comes to regulating and assessing net-zero and environmental, social and governance (ESG) commitments, the International Sustainability Standards Board (ISSB), launched at COP26 to consolidate business reporting on climate change, has also made progress, establishing two offices and consulting on proposed general requirements.

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WBCSD Business Manifesto for Climate Recovery

At COP26, WBCSD published the <u>Business</u> <u>Manifesto for Climate Recovery</u>, which sets out 12 action priorities for global business leaders and policy-makers to halt rising temperatures and begin the climate recovery process, including for enhanced corporate accountability through Corporate Determined Contributions (CDCs). The Business case of Climate Recovery: Accelerating Accountability, Ambition and Action is a delivery-oriented follow up to the 2021 Business Manifesto, reflecting the Egyptian Presidency's call to focus on implementation.



The ambition loop¹

This is the termed the "ambition loop"– a positive feedback loop in which bold government policies and private sector leadership will reinforce each other, and together take climate action to the next level.

Together, businesses and governments can create positively reinforcing ambition loops where government policies give business the certainty to invest decisively in net zero solutions and corporate action gives governments confidence to step up their climate ambition.

For example, when hundreds of companies called on European Union (EU) Heads of State and the European Commission to set the EU 2030 GHG emissions target to 'at least 55%', it provided welcome support for the EU to adopt the more ambitious Nationally Determined Contributions (NDC) target. Businesses have continued to engage the European Commission and officials as they developed the bloc's 2030 climate delivery plan (The "Fit for 55" package) which will transform the key systems across the EU economy enabling a wave of company investments.

Figure 1: The ambition loop, adapted from ambitionloop.org



Outcomes of COP26

"We can now say with credibility that we have kept 1.5 degrees alive. But, its pulse is weak and it will only survive if we keep our promises and translate commitments into rapid action." – Alok Sharma, COP26, November 2021 "The Glasgow Climate Pact only keeps 1.5°C in sight if countries take concerted and immediate action to deliver on their commitments. This means phasing down coal power, halting and reversing deforestation, speeding up the switch to electric vehicles and reducing methane emissions." – COP26 The Glasgow Climate Pact²

197 nations

agreeing to the Glasgow Climate Pact to achieve the **goal of 1.5 degrees**³





The world is moving. Economies are revolutionising. Business will never be the same.

2 Snapshot of Australia's climate policy position going into COP27

In 2015 Australia first communicated its commitment to the UNFCCC of reducing GHG emissions by 26% to 28% below 2005 levels by 2030 in its NDCs submitted under the Paris Agreement. The Australian Government stated in late October 2021 – just prior to COP26 – that Australia was on track to achieve this target, with an expected reduction of 30% to 35% by 2030.

Australia is a signatory to the Paris Agreement and ratified its commitment on 9 November 2016.

Fast forward to earlier this year, the Intergovernmental Panel on Climate Change's (IPCC) Sixth Assessment Report sets out the stark realities of rising greenhouse gas (GHG) emissions. It notes that the years between 2010 and 2019 witnessed the highest level of emissions compared to any other decade in human history. According to the report, global GHG emissions must fall by 43% by 2030 in order to limit the global temperature rise to below 1.5°C. This scientific guidance rests awkwardly with the reality of the recently released 2022 Nationally Determined Contributions Synthesis Report, which outlines that the combined climate pledges of today put the world on track for up to 2.6°C of warming by the end of the century. Stemming this growth requires rapid and aggressive emissions reductions across all economic sectors.

The May 2022 an Australian national election brought about a change in Federal government, which led to an almost immediate improvement in ambition of Australia's 2030 climate target. The newly elected Albanese government moved swiftly to update its <u>NDC</u> (June 2022), submitting to the UNFCCC a new target of a 43% reduction of greenhouse gas emissions by 2030 below 2005 levels, including LULUCF.

While the new NDC target is a positive step, Australia will need to adopt more ambitious climate policies and take further action to be compatible with limiting warming to 1.5°C. The new government has an opportunity to increase its climate action in the crucial period to 2030. To achieve this, the Government needs to transition the Australian economy from new fossil fuel projects, as they will continue to drive emissions up, not down.

On 26 July, the Government moved to enshrine its target in a bill introduced to Parliament, containing a clause that any future targets must be a progression beyond current commitments. The bill received the support of the Greens and Independents and was passed by the Senate.

And in October, Australia joined over 120 countries committing to collectively reduce global methane emissions by at least 30% below 2020 levels by 2030 across energy and resources, agriculture, and waste sectors. The Australian government will invest up to \$3 billion for low emissions technologies and agricultural methane reduction. It will also make smaller investments in low-emissions livestock feed supplements, and capturing methane from landfills, coal mines, and gas infrastructure.

While this represents a significant improvement on the last target, for a 1.5°C compatible target, Australia would need to adopt a 2030 domestic reductions of at least 57% (Source: Climate Action Tracker, 2022), as well as full fair share reductions, taking into account climate finance commitments, of at least 60% below 2005 emission levels. At present, Australia's 2030 domestic emissions reduction target is consistent with warming of 2°C if all other countries were to follow a similar level of ambition.

Australia has a <u>net zero</u> by 2050 target, but the actions set out in the Long-Term Strategy of the previous Morrison Government will not achieve this target, and fall short by an appreciable margin. The Albanese government reiterated Australia's commitment to a net zero target by 2050 when it submitted its new NDC. <u>Modelling</u> commissioned by the Australian Labor Party, before the last election, show high levels of emissions – of at least 60 MtCO2e – remaining in 2050, from facilities covered by the safeguard mechanism – largely across the industry sector. If not addressed, other sectors of the economy will have to compensate and meet the abatement burden created by the industry sector.

3 The 'Triple A+': The business role in accelerating Australia's climate recovery

This section of the Report draws on the WBCSD The Business of Climate Recovery: Accelerating Accountability, Ambition and Action Report – launched at COP27, which is a practical framework with a focus on delivery. The Triple A Rating demonstrates how business can support governments to implement policies and partnership, and highlights how business and the international community can collaboratively:

- Raise Ambition
- Deliver Action at speed and scale; and
- Sharpen Accountability

The '+' refers to **Australia** and also and the quadruple dividend – environmental, societal, governance and economic benefits – that business, governments and civil society can secure if it were to accelerate and scale its decarbonisation effort.

It proposes structural, practical interventions including close government and business collaboration to accelerate implementation at scale to advance Australia's climate change agenda in the next 5 years.

This Framework highlights a set of Australian-relevant **Sector Interventions** 'core' **Policy Priorities**, which are detailed below, and **Enablers**, which will be addressed in a separate report.

Ambition

To meet the goals of the Paris Agreement, it is critical to achieve net zero emissions across the global economy by the middle of the century and reduce emissions by 43% before 2030, according to the IPCC.

As international and Australian national corporations influence a large proportion of economic activity – up to 72% in the OECD – they have a huge role to play in delivering a low-carbon future.

The member companies of BCSD Australia reaffirm their strong commitment to the Paris Agreement and the need to hold the increase in global average temperature to 1.5°C.

Further, they recognise the important role the private sector has to play in meeting the goals of the Paris Agreement and the necessity for businesses to set the bar high by committing to reach net zero greenhouse gas emissions no later than 2050 and having a science-informed plan to achieve it.

To achieve a net-zero emissions (nature-positive and more equitable) global economy, systems transformation is essential at scale. As engines for growth, jobs, innovation and investment, the private sector is already working towards a net zero future.

Simply put, climate ambition needs to be raised in four areas:

- · Get more companies to set credible targets for emissions reductions;
- Raise ambition for emissions reductions in Nationally Determined Contributions (NDCs);
- Raising Climate Finance, for both mitigation and adaptation, especially for developing countries;
- Ensure any net zero transition activity also has a core ambition to be inclusive and equitable, particularly in the current economic context.

Setting a net zero target

By mid-2022, one in three businesses in the Forbes 2,000 list had already set a net zero target, a figure up from one in five companies a year earlier. However, the majority of businesses, especially those in developing economies, including smaller and medium sized enterprises, still have not set a science-based net zero target.

BCSD Australia, together with Energetics has considered Australia's ambition potential in the context of each sector and what a post-COP26 world means for Australian businesses.

The infographics in the **Sector Report** provide a snapshot of sectoral ambition pathways to put Australia on track for net zero emissions and a 'climate recovery platform' to support businesses and investors as they seek to cut emissions across supply chains, develop new business models and invest in low carbon infrastructure.

Based on this analysis, BSCDA makes the case for policy priorities to be brought together as part of a comprehensive net zero delivery plan which outlines Australia's ambition, supported by plans for each sector of the economy and building on the existing portfolio of national and sub-national policies and plans.

To help raise ambitions in each of these areas at scale and fast BCSDA participated in a WBCSD led consultative process with members and in doing have identified **five policy interventions** involving practical business actions and closer government collaboration to help speed things up. These include:

- Increase the number of companies who set credible targets for emissions
 reduction and who demonstrate accountability for their progress
 - Raise NDC ambitions in partnership with business;
- Advance partnerships with business to implement carbon pricing to help lower emissions and spur innovation, tackle inequality and close the fiscal gap
 - Accelerate an equitable and inclusive net-zero transition in key business and industry sectors
- 5 Unlock the potential for natural climate solutions to finance nature, helping to close the finance gap for developing countries in both mitigation and adaptation

For further details on the explanation of these priorities read the *The Business of Climate Recovery:* Accelerating Accountability, Ambition and Action (WBCSD, 2022).

Action

The agreement of the Glasgow Climate Pact at the UNFCCC COP26 signalled the finalisation of the Paris Agreement.

Now that the 'Paris Rulebook' has been closed, the attention of the global climate community must turn to action. The Egyptian Presidency has labelled the UNFCCC COP27 in Sharm El-Sheikh as the first 'Implementation COP'.

National governments, including Australia, must take the next step and put in place ambitious policymaking that encourages and accelerates climate action.

In 2022, we have already witnessed the enactment of historic climate change legislation with the passage of the *Climate Change Act (Cth) 2022* in the Australian Federal Parliament.

This vital piece of climate change legislation, along with other seminal actions, such as the \$USD 369 billion investment in energy security and climate change as part of the United States of America's (USA) *Inflation Reduction Act*, will provide the private sector with both the market conditions and investment it requires to accelerate climate action at scale in numerous jurisdictions, including Australia and America.

It is at this juncture that the Australian private sector plays a crucial role here: as the source of emissions and the key to delivering the technology, innovation and capacity required to achieve systems transformation. In addition, private finance is required to finance large-scale decarbonisation, both in a standalone capacity, and in combination with public sector finance.

What is equally critical is the role that companies can provide to show how to lead the implementation drive for climate action across sectors and value chains. They can and must do this to showcase how they are achieving emissions reductions across sectors, value chains and regions to help each other meet their goals and drive further ambition at the national level.

So the strengthening of business accountability and ambition to deliver on the goals of the Paris Agreement is a necessity. But strong, decisive action across all sectors and systems within the next seven years before 2030 is also required, if society is to remain on course to limit global warming to 1.5°C by 2050. That means a step change in action from now.

There are several major portfolio initiatives stimulated by Glasgow COP26 and before that are underway, which engage business to mobilize and deliver on the scale of action required this decade. Notably, the **United Nations High-Level Climate Champions (HLC)** launched the 2030 Breakthroughs to provide clarity on the path to halving emissions by 2030 across the global economy. The champions cover over 30 sectors that make up the global economy; collectively, the **2030 Breakthroughs** articulate what key actors must do – and by when – to deliver the systems change needed to achieve a resilient, zero-carbon world by 2050.

If one-fifth of key actors in each of these 30 sectors commit to playing their part to transform their sector consistent with the **Climate Action Pathways**, it will generate sufficient momentum among a critical mass of stakeholders, enabling them to break away from the business-as-usual path and together deliver breakthrough outcomes at pace. Achieving these tipping points requires cross-collaboration between business and governments, new partnerships and initiatives and, of course, the financing to catalyze them.

Against this backdrop, we investigated what more could be done, and specifically where to focus business action efforts over the next five years for the biggest "climate impact" return on such a business effort investment.

Four Key Priorities have been identified for policymakers and business to determine:

- Raise government NDC ambitions in partnership with business
 Advance partnerships with business to implement carbon pricing, to help lower emissions and spur innovation, tackle inequality and close the fiscal gap
- 3 Accelerate an equitable and inclusive net zero transition in key business and industry sectors
 - Unlock the potential for natural climate solutions to finance nature, helping to close the climate and nature finance gap for developing countries in both mitigation and adaptation

| Enablers |
|----------------------------|
| Circularity |
| Capital Markets |
| Governance & Collaboration |
| Innovation & Technology |
| People |
| Adaptation & Resilience |
| Nature |

Sectors Electricity Transport Agriculture Resources & mining Industrial Built Environment

These dialogues led to the identification of six interlinked thematic areas where participants felt that a concentration of specific business actions within each area could help trigger the systems change that the HLC has been seeking to promote.

Accountability

In the last two years, corporate climate commitments have increased exponentially. By mid- 2022, one in three businesses in the Forbes 2,000 list had set a net zero target, a figure up from one in five companies a year earlier.

Civil society groups, employees, policymakers, investors, plaintiffs, and others have questioned both individual corporate net zero targets and the phenomenon overall.

Climate litigation & gaps in reporting credibility

The number of cases of climate change litigation is constantly rising. Of the 193 cases identified as being filed in 2021, 38 were filed against private sector entities – a marked increase from 2020, when just 22 cases were filed against companies.

At present, there are gaps in progress reporting and credibility.

Companies want to be validated for what they are doing in a consistent manner, but, to date, there is no consistent method to collect, harness and drive accountability.

In contrast, significant progress has been made to develop existing methodologies for climate accounting being the systems that measure and record corporate greenhouse gas emissions data.

- For example, business is able to set a net zero target via the Science Based Targets Initiative.
- The Greenhouse Gas Protocol co-convened between WBCSD and the World Resources Institute (WRI) supplies the world's most widely used greenhouse gas accounting standards.
- The Partnership for Carbon Transparency (PACT) is tackling the methodological and technological infrastructure questions on how to measure product carbon footprints based on primary greenhouse gas emissions data.
- Organisations like CDP and Climate Action 100+ have developed well-established corporate reporting and climate performance benchmarks.

So the desire from governments, investors, civil society and other key stakeholders to hold large companies to account regarding their progress on delivering net zero targets is creating an urgent need to upgrade the current accounting system for business users.

However, the private sector still lacks a common, harmonised, global accountability framework that tracks corporate progress on the net zero targets they have been encouraged by governments to make and are increasingly delivering against.

At present, there is no aggregate mechanism that adequately tracks corporate progress on the commitments and targets they have been made nor – importantly – how this corporate progress might contribute to fulfilling the climate plans set by governments (Nationally Determined Contributions – NDCs). If there were such a mechanism to track corporate progress on commitments and targets, independently verify this progress and link it to NDCs, this could usefully inform the Paris Agreement's Global Stocktake process, which aims to assess how business is contributing to the world's collective progress on achieving the agreement's ambition and long-term goals.

A way forward

In order for the aggregate mechanism to work, it is vital to first understand the improvement needed at the company level. For companies that are serious about decarbonisation, it is essential to put a 4-phase process (see Figure 4) in place that will deliver accountability for progress toward their targets.

Figure 4: Establishing Corporate Accountability for Action on Greenhouse Gas Emissions



Source: WBCSD, Establishing Corporate Accountability for Action on Greenhouse Gas Emissions, from The Business of Climate Recovery - Accelerating Accountability, Ambition and Action.

There is a demand from businesses to develop such a framework that could be accepted by all, and capable of evolution. The framework could similarly be used by other stakeholders for their benefit, for example, by investors to inform funding decisions, or by SMEs to identify their requirements for capacity building to meet their net zero targets. Or even governments

Through a multi-stakeholder dialogue process convened by WBCSD between member companies, UN platforms and organisations, academia, and civil society, a set of guiding principles have been proposed that could be adopted in time for the Global Stocktake in COP28 to build out the architecture for a common, harmonised, global accountability framework. For Accountability, **Three Priorities** have been identified for consideration

- Create alignment of the corporate carbon accountability system. This includes the promotion of clear and vocal business support for the ISSB Prototype under development to become the mandatory global baseline for climate reporting
- Establish strong foundations for the carbon accounting system, by upgrading the
 Greenhouse Gas Protocol and developing methodologies and data exchange protocols for Scope 3 emissions;
- 3 Develop a Global Corporate Carbon Accounting Aggregation Mechanism, to link corporate data into national emission reduction progress reports

By undertaking these actions together, we consider it will significantly strengthen the entire accountability system to support businesses and allow the system to meet the demands that business and other stakeholders are placing on it today and will increasingly place on it in the years ahead.

For further details on the explanation of these priorities read the *The Business of Climate Recovery:* Accelerating Accountability, Ambition and Action (WBCSD, 2022).

An evolution of the current carbon accounting system and strengthening of corporate carbon accountability will establish a common, high-integrity practice for businesses to report, disclose and track their emissions, which will benefit the global economy and the international climate policy agenda. As outline above, this is critical to unlock the climate action ambition loop (See **Ambition**) between the public and private sectors. If policy-makers see the private sector taking ambitious and credible climate action, they gain confidence to advance climate policy, which in turn helps the private sector deliver and advance further action. But if climate action lacks integrity, the signal is lost and the ambition loop stalls.

Implementing the three priorities identified above will sharpen carbon related accountability can also help to take forward in a practical way many recommendations of the UN Secretary-General's High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities.

4 Australia can go to COP28 with greater ambition

A sector-based approach to supporting greater ambition

Our analysis looks at 2030 ambition, focussing what is possible in the next 10 years. This approach is not only a key focus for next year's COP27 but addresses the shortcomings of current government policy.

We consider this approach is not only a key focus for next year's COP27 but is also crucial to informing current information gaps in current national policy formulation which focuses solely on post-2030 technologies.

Key findings from sector analysis:

- 1. Even based on Australian government current projections, Australia can support a more ambitious 2030 target.
- 2. Each sector of the Australian economy can support a 2030 ambition that exceeds government projections.
- Australia can bring to the United Nations climate change negotiations at COP28 (2023) a more ambitious 2030 target.
- 4. Businesses taking action to decarbonise builds momentum and can also act as a multiplier towards decarbonising other sectors.
 - 1. Agriculture and land use Demand for carbon neutral products from the retail sector is driving decarbonisation of livestock emissions, which in turn is creating new industries.
 - 2. Electricity The sector is transforming because of the emergence of low cost renewable electricity and businesses in all sectors are beginning to electrify, directly engage in PPAs and put in place rooftop solar. This transformation and the resulting economic growth will shift electricity markets, including the National Electricity Market (NEM) to implement the most ambitious scenarios and influence government policy, including offshore development legislation to enable interconnected grids.
 - **3.** Minerals, minerals and metals processing and manufacturing Integration between the sectors is being driven by Australia's nascent 'renewable economy'. For example, one significant opportunity is the role of onshore refining of minerals.
 - 4. Transport Businesses setting net zero targets will include fleet decarbonisation, driving reduction in car emissions and influencing the need for clear policy direction on EV infrastructure and consistency across states. With Artificial intelligence and augmented reality technology, cars will also automatically tailor the experience to suit passengers' mood or preferences.
 - 5. Built environment Tendering and procurement requirements are driving decarbonisation.
- 5. 25% of Australia's ASX200 companies already have net zero targets and the industry groups of each sector have published ambitious 2030 targets and net zero 2050 or earlier.
- 6. Opportunities in each sector to seek funding and engage in demonstration projects to accelerate commercialisation of technologies in each sector of the economy. Businesses should look to joint ventures and partnerships and seek funding to be first movers.











Electricity

Decarbonisation of the electricity sector is the key to Australia's emissions reductions to 2030⁶. Ambition for this sector should, at minimum, align to the Australian Electricity Market Operator (AEMOs) stepped change scenario that outlines a manageable pathway that maximises decarbonisation whilst ensuring grid reliability7. The business sector can continue to drive decarbonisation of this sector through rooftop solar, power purchase agreements and virtual power plants as demand increases as a result of electrification.

2030 AMBITION

What it is: 55% From 2005 by 2030⁸

What it could be:

From 2005 levels⁹ with net zero in the 2040s¹⁰



"By 2024, households will pay \$77 less for electricity due to renewable energy." 11

SNAPSHOT





13% reduction in emissions since 2005

VIP

Decarbonising the electricity sector is critical to accelerating economy-wide decarbonisation as sectors move to electrification

By 2025 the grid will be ready for 100% renewables at certain times13

Coles, Woolworths and Aldi are entering Power Purchase Agreements to achieve



Tasmania set to export energy to mainland Australia with a 200% energy target¹⁴

BUSINESS (in the sector)

20 Companies are responsible for 89%

of scope 1 and 2 emissions¹⁵

Out of the 40 ASX-listed companies within the sector, Zero are aligned with Paris Agreement¹⁶

CHALLENGES



However, there is support from AEMO to accelerate closures.

Projects need regulatory changes for



Cost, reliability and capacity need to be managed.



Policy changes required to enable microgrids and virtual power plants, including leveraging electric vehicle batteries.



SOLUTIONS & OPPORTUNITIES

Creating interconnected system networks will manage capacity and firming challenges by leveraging different weather systems across Australia.



zones are identified by **AEMO** including batteries for distributed energy.¹⁹



NEM outweigh the costs by A\$800M/year²⁰ and \$11BN in net market benefits.21



City of Melbourne is delivering a network of co-ordinated community batteries providing 5MW hours of capacity.23

100% renewable energy 200%+ Increase in PPA transactions in 202017

BUSINESS (outside the sector)







Transport

As growth outpaces efficiency, Australia's transport emissions are growing, resulting in a sector with 2030²⁴ projections that are inconsistent with Paris Agreement goals. **Ending combustion engine vehicles and accelerating electric vehicle deployment** can radically transform the sector by 2030 but success hinges on the **changing economics of batteries**. Add in support for hydrogen cell demonstration projects and the foundations are laid to not only reverse emissions growth but rapidly decarbonise the transport sector.



New car sales – Penetration of EVs 76% by 2030³⁹ with strong policy (only 30% without).⁴⁰



Hydrogen trucks & buses, commercialised by 2030. Currently being trialled by Moreland City Council and Fortescue Metal Group. EVs have the opportunity to change electricity consumption acting as virtual power plants. Australia has pilot hydrogen planes, ships and trains underway and Byron Bay has a solar powered train.

Agriculture

COP26 signalled the world is focused on decarbonising methane emissions. BCSDA forecasts this will accelerate the emerging market for carbon neutral livestock products, aligning with the red meat sector's target to double the value of industry sales to \$57 billion and triple capital investment, whilst also achieving net zero by 2030.42 The sector's decarbonisation potential, particularly in the red meat sector which represents 48% of Australia's methane emissions, supports a stronger 2030 target and methane reduction target ratification.



can result in up to 80% reduction in enteric methane emissions.59

the potential to decrease 37% of emissions in the sector by 2030.60

management

practices including precision agriculture, crop rotation and dung beetles.61



providing shelter for grazing livestock.62





Resources & mining

COP26 has set the stage for the transition of Australia's resources industry. It saw commitments to the phasing out of fossil fuels, especially coal for which global demand is set to decline by 10% by 2030.63 The conference also saw strengthening of commitments to emission reduction that will see growing demand for resources but with low embodied emissions. BCSDA forecasts an extension of onshore value chains to include the supply of the commodities required for the transition to net zero.

What it could be:

2030 AMBITION



and is expected to continue to grow out to 2030.64

Based on 15% electrification and 50% increase in fugitive emissions.65

"87% believe existing mine sites would be fully electric by 2040, while 60% believed all greenfield mines would be fully electric in the same timeframe." (State of Play) 66

SNAPSHOT



green steel production in 2050 from 6.5% of global steel market, \$7.4bn annually by 2030.76

our mining and manufacturing sectors can create investment." (Future Batterv Industries CRC) 77

technologies identified, delivering 30% potential abatement.78

renewable energy mines – first movers include Agnew, APA and Newcrest.



Largest cobalt, copper & lithium resources

all required to create a renewable economy⁷⁰

BUSINESS



Investment flows into the sector will be transformative

CHALLENGES



Industrial

Despite having hard to abate emissions and challenges with replacement fuels and feedstock, the industrial sector has **existing technology opportunities that can accelerate decarbonisation by 2030**. However, both short and long term (such as hydrogen) opportunities require public support, government funding, demonstration projects and initiatives from companies within the sector who have set ambitious net zero targets. Opportunity exists to integrate with the resources sector for onshore processing and minerals.



Linking industrial systems with energy system to deliver low-cost energy and generate hydrogen.



No technical barriers for aluminium production. The Federal Government has invested in a trial of renewable alumina refining.⁹⁴

\$50bn Green hydrogen exports by 2050.[∞]







Built environment

Globally, the building industry is responsible for 40% of global energy and process-related CO₂ emissions and influences 17% of Australia's emissions⁹⁶ – from embodied emissions and operational emissions to enabled emissions. The built environment needs to not only design and adapt to the physical risks of climate change but also construct for a net zero emissions future. Decarbonisation of the built environment requires a life cycle approach and co-ordination across the value chain.

2030 AMBITION

J11%

What it is:

What it could be: **1739/0 1739/0 1739/0 1739/0 1739/0 1739/0**

73 per cent by 2030 (compared to 2020), which is achievable with technology and design approaches that are mature and available today⁹⁸ "Cost effective solutions are available today... 5% to 18% reduction in embodied carbon [and] a 0.4% to 3% reduction in material costs." *CEFC*⁹⁹

1 in 4

households

have solar

Australia a

world leader¹⁰³

making

SNAPSHOT

Building emissions make up 25% of Australia's scope 1 and 2 emissions. 16% of that is embodied emissions¹⁰⁰



Brisbane's carbon positive 2032 Olympics sets the bar for future developments

BUSINESS



Australia's green bond market in 2021¹⁰⁴

Infrastructure projects need to align to net zero to access money from Green Bonds and Investment companies requiring net zero 2050¹⁰⁵



43%

200,000m²

Lionsgate is building Australia's largest rooftop solar farm - 24 MW and 150MW of battery storage¹⁰⁶

Lifecycle energy GHG emissions

Ratings including

NABERs and IS

Green Star,

avoided through Infrastructure

Sustainability projects¹⁰¹



Stockland rated as the most sustainable building company in the world by 2018 Dow Jones Index¹⁰⁷

NSW Net Zero Cities Action Plan

Accelerating Net Zero Buildings

initiative to boost the transition

towards net-zero emissions¹⁰²

is a \$4.8M NSW Government

of non-residential buildings

driving net zero buildings



Brickworks, Himmel and Monier are providing low embodied emission products and Holcim ECOPact concrete reduces embodied emissions by 30-69%¹⁰⁸

CHALLENGES

\$113 – \$160 billion

worth of property is vulnerable to the physical risks of climate change.¹⁰⁹ Building Code needs amendments for net zero such as 7 Star NatHERS and embodied emissions and efficiency standards.¹¹⁰ Shifting away from gas to full electric, renewable energy.¹¹¹



Steel / Aluminium – Some materials are difficult to decarbonise.



SOLUTIONS & OPPORTUNITIES

Building efficiency creates 2.8 times as many jobs as fossil fuels, and almost double that created by solar PV.¹¹²



Telsa solar panelled tiles and electrochromic windows.¹¹³



30% of Canberra's urban environment covered by a tree canopy by 2045.¹¹⁵





Policy Priorities

Below are a set of suggested Policy Priorities, including Sector aligned, to support the Triple A+ Framework.



- 1. Governments must continue to raise the level of ambition of their Nationally Determined Contributions (NDCs) to be in alignment with a 1.5°C pathway and net-zero emissions by 2050.
- All businesses should set ahead of COP28 a science aligned target to reach net zero before 2050 and clear short term interim targets ideally aligned with a 1.5C trajectory. Targets to be set in line with established best practice, for example, via the Science Based Targets initiative or by joining the Race to Zero.

Action

Electricity

- 1. Help scale renewable energy investment even faster. The IEA's Net Zero by 2050 report found that to reach net-zero emissions by 2050, low-carbon energy investment needs to triple, with renewable energy investments overtaking coal by 2026 and oil and gas by 2030. The pace of renewable energy scale-up required is huge. The IEA estimates that 630 GW of Solar PV and 390 GW of wind energy is required by 2030, four times the record level of what was installed in 2020. For Solar PV this is equivalent to installing the world's current largest solar park roughly every day to 2030.
- 2. Develop a transition pathway initiative with National Coal and Gas Companies (NCGCs). While there are many promising clean energy transition initiatives underway involving many sectors, fuels and technologies, a successful global energy system transition is still contingent on the net-zero transformation of the oil and gas sector. NCGCs in particular play a crucial role in driving industrial activity worldwide, especially in emerging and developing economies. The delivery of a net-zero transformation in NCGCs is crucial to a successful clean energy transition. Yet, at present, many NCGCs with some notable exceptions do not have viable transition pathways and clear investment plans and often lack the human capacity capabilities to deliver on the transformation required to achieve net-zero transitions. This would be a high-impact energy system transition to focus on.
- 3. Energy efficiency should be at the heart of well-designed energy policies. Driving energy-efficiency improvements are a combination of energy performance labelling and disclosure, minimum energy performance standards and building energy codes and standards.
- 4. Enable the scale up of renewable energy by providing a stable policy environment for investors via market-based, technology-neutral instruments, simplifying the permitting and commissioning of renewable energy projects ensuring that suitable on- and offshore areas are available to meet future demand, and investing in education, up- and re-skilling for the renewable energy industry.

Australia can go to COP28 with greater ambition

- 5. Develop forward-looking investment plans for power grid infrastructure to support the energy transition at the required pace aligned with the 1.5°C pathway. This includes network planning jointly conducted by distribution system operators and transmission system operators to evaluate the cost and benefits of network upgrades and extensions.
- 6. Ratchet down new coal power development and financing. Develop plans to phase out coal- fired power generation by 2030 for advanced economies, and 2040 for other countries, at the latest and prevent unabated use of coal through CCS for long-life assets. For Australia, which is a country where coal plays an important role in the economy, the transition away from coal power plants will require a broader socio-economic transformation. Complementary policy measures should be implemented to compensate for business portfolios/strategies that are no longer feasible, social protection systems, workforce retraining programs, and the development of alternative employment options.
- 7. In order to pursue a 1.5°C pathway, no new greenfield oil and gas exploration and development and putting in place leakage avoidance measures to eliminate fugitive emissions. The implementation of renewable and low-carbon based energy systems will enable the phase out of natural gas use for power generation in the 2030s. Set out national action plans immediately to eliminate all fossil fuel subsidies by 2025. Repurpose those towards energy efficiency, renewable energy, and other measures to support a people-centred and equitable energy transition.

Transport and Mobility

- 1. Strengthen international collaboration between business and government to help all countries adopt an end date for the sales of internal combustion engines in line with net-zero, on all segments, as per the recent announcement of the European Union or California, with a particular focus on developing economies. Replicate and scale notable efforts including initiatives such as the Zero Emission Vehicles Transition Council (ZEVTC) catalyzed by the UK Government, or the national MOU for Medium and Heavy-Duty Zero Emission Vehicles led by the US Department of Energy and Environment.
- 2. Collaborate to create a scaling framework for international public-private collaboration to change innovative pilots into transformative projects and mobilize large scale investments for transport decarbonisation. The Global Facility to Decarbonize Transport (GFDT) hosted by the World Bank can provide an important driver for such collaboration between business, the financial sector and investor community and governments. The Indian Government's CESL e bus initiative (overseeing the world's largest EV public bus tender) or the Zero Emission Bus Resource Alliance (ZEBRA) in the United States offer flagship examples of large scale, public-private EV investments being implemented. These kinds of initiatives could be replicated around the world through such a framework for international public-private collaboration, with additional support from networks like the Institutional Investor Roundtable and others.
- 3. Governments and business should work together to introduce policies that promote efficient integration of Zero Emission Vehicles across mobility energy and real estate sectors by using the WBCSD Value framework for sustainable charging infrastructure. This provides a technology and policy framework for business and public sector officials in the mobility, energy and real estate sectors to work together to enable transition to 100% electric fleets.
- 4. Develop detailed infrastructure development strategies and roadmaps that provide clear signals and plans for sustainable and equitable ZEV and charging infrastructure deployment.

- 5. Enhance multilateral cooperations to connect the private sector with governments and international institutions and facilitate the transfer of technology and knowledge sharing.
- 6. Accelerate ZEV transition in emerging markets by creating and aggregating demand across similar countries to reach critical mass that enables economies of scale and strategic business engagement.
- 7. Introduce policies that promote efficient integration of ZEV in the grid and built environments including access to space, grid, renewable energy and vehicle participation in energy flexibility market and data sharing.

Agriculture

- 1. Introduce fiscal policies that encourage nature-positive technological innovation and its scaling across the agri-food sector. For example, regulators should set up agreed standards and guidelines for regenerative agriculture technology which would promote resource efficiency and climate smart production, such as farm approaches to optimize carbon capture, water conservation, soil health and energy efficient refrigeration and transportation. This can also include harnessing digitalization to link small-scale growers of climate-smart crops to processing opportunities and markets.
- 2. Reform environmentally harmful subsidies, fiscal policies and incentives to reward net-zero, nature-positive actions and finance a just transition so that payments and financial incentives include small, medium and large-scale farmers, and commit to embedding health and sustainability requirements within public procurement, using the principles of true value of food.
- 3. Reform environmentally harmful subsidies, public support and incentives to support net-zero, nature-positive actions and finance a just transition so that payments and financial incentives include small, medium and large-scale farmers, and commit to embedding health and sustainability requirements within public procurement.
- 4. Establish global guidelines, under the aegis of international UN agencies and supported by national standards, regulations and incentives, to accelerate the uptake of sustainable food options and build consumer trust. These include sustainability and health requirements within public procurement and creating an enabling environment to educate consumers and facilitate access towards healthy and sustainable choices. As an accountability mechanism, integrate food systems metrics in the NDCs and NAPs to accelerate climate action and track progress at national level.

Industrial

- 1. Engage more leading companies with the roadmaps that industry initiatives, such as the Mission Possible Partnership and others, are producing, to turn these into specific industry and company transition plans backed by investments (in line with the four phases set out in Figure [insert]), so business can start implementation as quickly as possible.
- 2. Accelerate complementary demand and supply side initiatives for business (First Movers Coalition, Avoided Emissions Guidance and related incentives) and scale their partnerships with governments.
- 3. Accelerate the decarbonisation of existing hydrogen and rapidly deploy new hydrogen sources with the lowest possible verified carbon intensity to target 20% of final energy demand by 2050 in heavy emitting industry sectors.

Built Environment

- 1. Develop national and sub-national decarbonisation and resilience roadmaps aiming to address whole lifecycle emissions and promote multi-stakeholder collaboration with cities, regions, businesses and civil society actors to accelerate action. Make building decarbonisation and resilience a central criterion for public procurement related to buildings and construction.
- 2. Develop national and sub-national decarbonisation and resilience roadmaps to address energy performance and whole lifecycle emissions for new and old buildings, and promote multi-stakeholder collaboration between cities, regions, businesses, and civil society actors to accelerate action. These outputs should be integrated in the next round of NDC and (Long Term Plans) LTP updates. Countries could join global initiatives driving international collaboration, such as the Buildings Breakthrough led by France and Morocco, the Global Alliance for Buildings and Construction (GlobalABC), and the Net Zero Carbon Buildings Accelerator.
- 3. Place whole life carbon (WLC) at the center of decarbonisation strategies and decisions. Set WLC thresholds, clear milestones, and quantifiable targets and indicators, and apply them to the development of policies and regulations. Establish data tracking standards and systems to measure, report and access information regarding whole-life carbon (operational and embodied) emissions of buildings.
- 4. Increase deep renovation rates of the existing building stock to 3% each year by 2030 and beyond, focusing on heating and cooling systems, insulation and building materials and implement mandatory, performance-based building energy codes addressing both operational and embodied carbon, as well as measures to enhance building resilience.
- Align public funding, public procurement and economic recovery spending for buildings and infrastructure with commitments to net zero, increasing resilience and upskilling the workforce. Accelerate deployment of public funding for innovation and R&D projects, for workforce development and to de-risk private sector investment in the built environment.

Accountability

Establish a set of guiding principles for a common, harmonised, global accountability framework. The guidance could consist of the following five principles:

- 1. Businesses set a net zero target and create a net zero transition plan, in line with best practice principles.
- 2. Businesses report corporate greenhouse gas emissions and carbon removals data to a designated data body, according to a consistent set of standards.
- 3. The data is verified by an accredited third party assurance body.
- 4. The verified data is submitted to an international regulatory body for publication on an accessible platform and mapped to Nationally Determined Contributions (NDCs).
- 5. The process is repeated annually as a regular reporting back moment for businesses to demonstrate their progress on net zero targets.

A new benchmark for sustainable business leadership through raised ambition and action

Australian member organisations of the Business Council for Sustainable Development in May 2021 marked the organisation's 30th anniversary by announcing the adoption of a set of science-based membership criteria aligning Australian businesses with the transition to net-zero emissions.

Australia will be the first international Network Partner of the WBCSD to embed the membership conditions focussing on climate emergency, nature loss and inequality, effective 1 July 2021.

BCSD Australia's CEO Andrew Petersen said: "The adoption of the science-based criteria is the membership's commitment to turn ambitions into concrete actions."

Five Science-Based Criteria:

- 1. Set an ambition to reach net zero GHG emissions, no later than 2050 and have a science-informed plan to achieve it.
- 2. Set ambitious, science-informed, short and mid-term environmental goals that contribute to nature/ biodiversity recovery by 2050.
- Declare support for the UN Guiding Principles on Business and Human Rights by having in place a policy to respect human rights and a human rights due diligence process.
- 4. Declare support for inclusion, equality, diversity and the elimination of any form of discrimination.
- 5. Operate at the highest level of transparency by disclosing material sustainability information in line with the TCFD and align Enterprise Risk Management (ERM) with environmental, social and governance-related (ESG) risks.

The set-up and implementation of the new criteria involves BCSD Australia's publicly listed and large corporate members preparing their companies over the next 18 months to be able to adhere to the membership criteria by or before 30 December 2022. Government, philanthropic, and SME Members will also look to adopt the criteria. The criteria apply to all businesses that apply for membership after 1 July 2021.

BCSD member companies are encouraged to apply the highest standards in corporate governance and transparency, aimed at enhancing the comparability of data for shareholders, investors and other stakeholders. During the 18 months BCSD members will be supported with insights and resources on leading practice to bring these criteria into their risk assessment and strategic decision-making processes.

From 1 January 2023, adherence will be monitored through the WBCSD "Reporting matters" project, which assesses BCSD Australia member's reports on a yearly basis and has done so over the last 3 years. Reporting matters is a publicly available report.

Since this organisation started in 1991, it has been committed group of businesses and organisations that are serious about demonstrating true leadership for sustainable development. In our 30th year, we determined to align our membership conditions with the urgent challenges facing our society.

The inclusion of the five new criteria will ensure member companies focus on implementing credible science-based action plans ultimately to transform our economic systems – it marks an important moment for responsible business.

In spite of the pressures during this pandemic BCSD Australia members are pushing for more sustainable leadership and action. Businesses are well aware of the greater challenges looming ahead and are willing to tackle them urgently and collectively, to create a world in which all nine+ billion people can live well within the boundaries of our planet.

Disclaimer

The TRIPLE A+: THE BUSINESS ROLE IN ACCELERATING AUSTRALIA'S CLIMATE RECOVERY does not necessarily reflect the viewpoints or constitute an endorsement of each organisation and company that participated in the consultative process. Please note that the data published in the report are as of November 2022.

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To engage with BCSDA to explore how to best implement the practical interventions suggested in TRIPLE A+: THE BUSINESS ROLE IN ACCELERATING AUSTRALIA'S CLIMATE RECOVERY, with key international milestones such as COP28, the United Nations General Assembly 2023 and the United Nations Environment Assembly 2024 in mind for delivery, please contact Andrew Petersen, CEO, BCSD Australia: andrew.petersen@bcsda.org.au

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Infographics developed by Jacqui Scruby, Energetics.

About BCSDA

BCSDA is the Australian Partner of the WBCSD, the foremost global, CEO-led community of over 200 of the world's leading sustainable businesses and over 70 Australian business, sub-national government agencies, academia and non-government organisations, and working collectively to accelerate the system transformations needed for a net-zero, nature-positive, and more equitable future.

We do this by engaging executives and sustainability leaders from business and elsewhere to share practical insights on the obstacles and opportunities we currently face in tackling the integrated climate, nature and inequality sustainability challenge; by co-developing "how-to" CEO-guides from these insights; by providing science-based target guidance including standards and protocols; and by developing tools and platforms to help leading businesses in sustainability drive integrated actions to tackle climate, nature and inequality challenges across sectors and geographical regions.

Member companies come from all business sectors and all major economies, representing a combined revenue of more than USD \$8.5 trillion and 19 million employees.

As part of the global network of almost 70 national business councils, BCSDA gives members unparalleled reach across the globe.

Since 1995, WBCSD has been uniquely positioned to work with member companies along and across value chains to deliver impactful business solutions to the most challenging sustainability issues.

Together, we are the leading voice of business for sustainability, united by our vision of creating a world in which 9+ billion people are living well, within planetary boundaries, by mid-century.

Follow us on Twitter and LinkedIn www.bcsda.org.au

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