Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Inquiry into Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024 [Provisions]

Department: Department of the Treasury
Topic: Sustainability reporting
Reference: Written
Senator: Andrew Bragg

Question:

1. In the Treasury's Policy Impact Analysis for climate-related financial disclosures published in September 2023, the Department makes the following estimates:
"All things being equal and comparing with a baseline option of continuing to operate under the status quo, under Treasury's recommended approach (option 1b), this policy is expected to add between $1.0 million to $1.3 million per year per entity in initial transition costs to the regulatory burden of captured entities and have a number of benefits that are difficult to quantify, including reducing the cost of capital for these entities. Costs are expected to stabilise and fall over time, resulting in ongoing costs of between $500,000 to $700,000 per year per firm."

a. What are 'initial transition costs'?

b. When does the Treasury expect the cost to businesses to reduce from those initial transition costs to ongoing costs?

Answer:

1a. Initial transition costs are costs associated with investing in capability to support climate-related financial disclosures over time. Table 5 of the Policy Impact Analysis (p21-22) provides a detailed breakdown of these activities at an entity level, including familiarisation and education, legal review, systems changes and initial data collection.

1b. The Policy Impact Analysis assumes costs to business will reduce from the second reporting year onwards, reflecting that the preparation of climate disclosures will involve updating or maintaining existing models and systems.