



# Corporate Emissions Reduction Transparency

**Clean Energy Regulator's Corporate Emissions Reduction  
Transparency report consultation paper**

KPMG Australia

November 2021

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## Executive Summary

As a leading professional services firm, KPMG Australia (KPMG) is committed to meeting the requirements of all our stakeholders – not only the organisations we audit and advise, but also employees, governments, regulators and the wider community. We strive to contribute to the debate that is shaping the Australian economy and welcome the opportunity to provide a submission in response to the Clean Energy Regulator’s *Corporate Emissions Reduction Transparency (CERT) report consultation paper* (the consultation paper).

Climate change risks are increasingly recognised as one of the key issues facing economies and communities today. Company reporting of climate emissions is a key tool in achieving the net zero carbon emission by 2050 and many organisations are experiencing an increased expectation from regulators, clients and the community to report on ESG topics. Therefore, it is no surprise that almost 60 percent of ASX100 businesses disclose climate risks.

KPMG’s global report of the world’s largest 250 companies (the G250), *Towards net zero: How the world’s biggest companies report on climate risk*,<sup>1</sup> found that Australia’s top 100 companies are ahead of the G250 on multiple criteria for good climate risk reporting. But more work can be done. KPMG’s eighth benchmarking review of ASX200 Corporate Reporting for the year ended 30 June 2021 found that 40 percent of ASX200 companies are not reporting on climate impact, let alone adopting Taskforce for Climate-related Disclosures (TCFD) recommendations. This means that if the TCFD climate standard is introduced in Australia, these companies face a considerable amount of work to prepare for it.

In KPMG’s view the CERT is expected to provide participating companies operating in Australia with three key benefits.

Firstly, common voluntary reporting frameworks and standards, such as the GRI and TCFD, do not provide organisations with a clear framework for reporting on their emissions reduction commitment or progress towards achieving that commitment. The CERT has an opportunity to lead the market by providing a standardised framework to report emissions reduction commitments against. The proposed CERT framework provides a simple standard reporting format that has some flexibility in how commitments are framed, and progress reported. It leverages verified data used for NGER reporting and captures key information that organisations tracking emissions reduction commitments would be expected to monitor.

Secondly, while the intention of the CERT is not to provide a ranked list of emissions reductions by organisation, the ability for external users to efficiently compare and contrast commitments and progress may be a key strength of the CERT. It is expected that users of the CERT will inevitably utilise its information to assess the types of commitments being set by Australian organisations and progression towards achieving

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<sup>1</sup> <https://home.kpmg/au/en/home/insights/2020/11/climate-risk-reporting-towards-net-zero.html>

commitments. The CERT may also provide an opportunity to understand Australian organisation's efforts to align with global commitments, such as the Paris Agreement.

Finally, the CERT may provide a simple option for smaller organisations to report on emissions reduction commitments and progress, who may otherwise not report on sustainability information outside of NGER reporting. The ability to report on emissions reduction in a public forum without the need to release a long-form sustainability report or additional public disclosure may provide value to many organisations.

While the benefits of the CERT are clear, there are improvements that can be made in relation to the potential inclusion of baseline gross emissions, further provision of support for smaller organisations to better utilise CERT and the ability to report year on year progress against commitments.

We congratulate the Clean Energy Regulator on the development of the CERT report and look forward to continuing to work with the Australian Government and our clients on this important issue.

Yours sincerely,

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## Background

KPMG is a global network of professional firms providing a full range of services to organisations across a wide range of industries, governments and not-for-profit sectors. We operate in 147 countries and territories and have more than 219,000 people working in member firms around the world. In Australia, KPMG has a long tradition of professionalism and integrity combined with our dynamic approach to advising clients in the digital-driven world.

### **KPMG's commitment to Climate Action**

KPMG supports scientific consensus that human activity is the primary cause of climate change and acknowledges our responsibility in limiting warming to less than 1.5° above pre-industrial levels.

Under our Climate Action Plan to 2022, we have committed to be a net zero emissions business, an enabler of the circular economy and transparently managing our climate risk and ongoing contribution to the UN Sustainable Development Goals.

KPMG is certified carbon neutral through Climate Active. On our journey to net zero, we are also committed to driving continuous operational improvement and minimising our impact on the planet through energy and waste efficiency, the sourcing of 100 percent renewable energy, by reducing non-essential business travel and working with suppliers to minimise supply chain emissions.

### ***Climate Change & Sustainability***

KPMG's Climate Change & Sustainability team works with organisations to help them manage the risks and opportunities associated with non-financial issues, and to enhance all aspects of reporting and communication. We also provide assurance services over all non-financial disclosures to enhance the credibility of reported information.

## Section 1: KPMG Findings

**Finding 1:** KPMG welcomes the introduction of the proposed framework for the introduction of the CERT. The framework will provide organisations across all levels of maturity with a clear guide to disclosing their emission reduction commitment and progress towards achieving it.

**Finding 2:** The ability to support smaller organisations in understanding the approach to setting an achievable, defensible, and credible emissions reduction commitment is an important element of the CERT. The CERT will not present a challenge to larger reporting organisations who are expected to have requested information on hand. However, smaller organisations who will be encouraged to establish a commitment may be hesitant to do so unless appropriate support is available to detail the commitment setting and reporting process.

**Finding 3:** The Clean Energy regulator should consider incorporating the ability to provide year on year progress toward the emissions reduction commitments. By doing so, companies can show their trending progress towards commitment achievement, especially in years of slow or no reduction. This will also provide greater transparency as to whether organisations are on track to meeting their emissions reduction commitment. By incorporating this metric into the CERT, the overall usability, impact and benefit that the CERT will have will be significantly improved.

**Finding 4:** Large organisations may experience difficulty in determining how their progress to emissions reduction at a group level, including foreign and non-operational control emissions, can be reconciled to NGER emissions. This challenge may also be faced by entities who report group emissions across multiple entities for NGER purposes. The Clean Energy Regulator may need to consider to how such entities can disclose their emissions reduction commitments and progress towards achieving these commitments.

# Section 2: KPMG Insights

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## Introduction

The National Greenhouse and Energy Reporting Act 2007 (NGER Act) introduced a single national framework for reporting and disseminating company information about greenhouse gas emissions, energy production and energy consumption. This framework provided a strong basis on which Australian reporting entities could measure and report their own emissions with clarity and confidence.

The CERT is intended to be developed as a voluntary initiative that will provide organisations who meet the NGER publication threshold with a framework to articulate their emissions reduction commitment, and progress towards achieving this commitment. Whilst voluntary reporting of emissions reduction commitments is becoming more common across leading organisations in the ASX 200, there is still a significant portion of the market who will benefit from a simple approach to disclosing an emissions reduction commitment.

With the NGER approach providing a robust foundation for carbon reporting, the CERT framework has the opportunity to be an important contributor to the development of Australian reporting landscape in providing the opportunity to report voluntary emissions reduction commitments as an extension of the NGER reporting process.

The high rates of voluntary emissions reduction commitment reporting, demonstrated by the 65% of top 100 companies across 52 nations reporting publicly against reduction commitments<sup>2</sup>, highlights the prevalence and demand for transparency and action in progressing towards a decarbonised economy.

Whilst key advantages of CERT include relative simplicity, and the duplication of NGER and other sustainability reporting requirements, KPMG notes there are some additional disclosures that may provide further benefit to both reporting organisations and users of the information provided.

## Smaller company considerations

Notwithstanding, the majority of ASX100 organisations now report an emissions reduction commitment through voluntary reporting, with 66% of these organisations reporting a commitment in 2020<sup>3</sup>. This rate drops significantly when smaller organisations are included, with only 37% of the ASX200<sup>4</sup> reporting an emissions reduction commitment.

Smaller companies may be hesitant to disclose a commitment unless they have the knowledge and capability to assess their ability to achieve this commitment. Therefore,

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<sup>2</sup> <https://assets.kpmg/content/dam/kpmg/xx/pdf/2020/11/the-time-has-come.pdf>

<sup>3</sup> [https://assets.kpmg/content/dam/kpmg/be/pdf/2020/12/The\\_Time\\_Has\\_Come\\_KPMG\\_Survey\\_of\\_Sustainability\\_Reporting\\_2020.pdf](https://assets.kpmg/content/dam/kpmg/be/pdf/2020/12/The_Time_Has_Come_KPMG_Survey_of_Sustainability_Reporting_2020.pdf)

<sup>4</sup> *Promises, Pathways & Performance. Climate change disclosure in the ASX200, ACSI* <https://acsi.org.au/wp-content/uploads/2020/10/Climate-Change-disclosure-in-ASX200.-ACSI-REPORT-October-2020.pdf>



without guidance or support for organisations to set a commitment, uptake of reporting may be limited. The Clean Energy Regulator may be able to support an increased uptake of the CERT framework through providing guidance on the key steps in setting a commitment, and how to undertake these steps.

## **Year on year activity**

The ability to present emissions reduction progress throughout the commitment period is crucial to understanding the momentum of an organisation's emissions reduction initiatives. The proposed CERT framework is expected to present progress against a commitment in the current period only and does not present gross or net emissions reductions or progress towards the commitment. The ability to show emissions reductions over several years and reflect a trend and overall progress towards a commitment would be beneficial for both reporters and users of the information disclosed.

## **Reconciliation to company reporting**

The emissions data reported by organisations as part of their NGER submission will not always align with the emissions data reported within annual reporting. This disconnect will also impact reporting under the CERT Framework.

The two most common causes of this misalignment occur with organisations who have operations outside of Australia or have applied a financial ownership or control boundary rather than the operational control boundary for NGER reporting purposes.

While this may not impact smaller and public sector organisations, large organisations may experience difficulty in determining how their progress to emissions reduction at a group level, including foreign and non-operational control emissions, can be reconciled to NGER emissions. This challenge may also be faced by entities who report group emissions across multiple entities for NGER purposes. The Clean Energy Regulator may need to consider to how such entities can disclose their emissions reduction commitments and progress towards achieving these commitments.



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