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Mr Stephen Palethorpe
Committee Secretary
Senate Environment and Communications References Committee
PO Box 6100, Parliament House
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Via email: ec.sen@aph.gov.au

Dear Mr Palethorpe

Inquiry into Greenwashing

Thank you for the invitation to contribute to the Committee's inquiry into greenwashing.

Context

As a small, open and emissions-intensive economy, reliant on inflows of foreign capital and export income as engines of growth, Australia can expect to feel the full force of the global transition to net zero emissions.

Global momentum has never been greater, thanks in large part to the Inflation Reduction Act in the United States, the European Union's Green Deal Industrial Plan and progress in implementing its Carbon Border Adjustment Mechanism, and actions by other countries. More than three quarters of global emissions are now covered by national net zero targets.

On a trajectory to net zero emissions, governments, investors and consumers around the world will increasingly favour lower and zero emissions options. These changing preferences will reverberate along global supply chains for goods, services and finance, with important implications for the Australian economy.

Momentum is also building in Australia with the adoption of higher emissions reduction targets and new policies at both federal and state government levels, and companies increasing their ambition for reducing emissions. Rapidly reducing emissions makes good sense, not just to contribute to mitigation of climate change but to position the Australian economy to prosper, rather than falter, as the world decarbonises.

Attracting the investment needed to fund the net zero transition and providing consumers with information and choices that will support decisions by them that favour reduced emissions, are two important elements of achieving emissions reductions in Australia.

In this regard, important work has commenced within the Australian Government on i) developing a sustainable finance taxonomy; ii) enhancing corporate disclosures on climate risk and transition planning, and iii) developing sectoral transition pathways. These activities can contribute to a framework that will enhance the confidence with which investors and consumers can make decisions that support the transition to net zero. Ensuring that existing laws and regulations are being applied where appropriate to address greenwashing, and considering whether new measures are needed, are also important steps.



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Voluntary climate change action and greenwashing

The voluntary actions of investors, companies and customers are important drivers of emissions reductions in Australia. Climate actions and claims from early movers can stimulate other voluntary action. Early movers often hold significant knowledge and experience that can inform the decarbonisation strategies of fast followers. As such, transparency of corporate climate strategies, plans and actions should be a key part of the ecosystem supporting whole-of-economy emissions reductions.

Greenwashing can detract from this ecosystem, impacting negatively on both market confidence and actual abatement. This includes the potential for misuse of carbon offsets, or use of offsets that lack integrity, as part of companies' claims relating to addressing emissions associated with their businesses.

The Climate Change Authority (the Authority) has not given detailed consideration to the issue of greenwashing. However, I can draw the Committee's attention to the [Review of International Offsets](#) released by the Authority in August 2022, which may be helpful for understanding the role of carbon markets and the role of governance and operational criteria within carbon crediting schemes to support high integrity units – thereby reducing the risk of greenwashing.

The benefits of carbon markets

Carbon markets facilitate the significant flows of finance, from both public and private actors, necessary to support the transition to net zero. Trade in carbon offsets can help address very difficult to abate emissions and smooth the transition for businesses while they make the necessary changes to reduce emissions directly. Carbon markets can also support cross-border trade which can lower the cost of transition, support sustainable development and provide consumers with information to help them identify and qualify the legitimacy of climate claims.

However, markets are only as effective as the frameworks they are based on. Governments have a role to play in ensuring information and rules clearly describe the playing field to support buyers, sellers and consumers alike. Efficient collection of accurate, consistent and comprehensive information on emissions and decarbonisation will minimise costs on business, while informing consumer choices and supporting optimal business and government decision-making.

As the Authority has [previously noted](#), it considers that mandatory disclosure requirements should include requirements for companies to publish a plan or roadmap for addressing climate change related risks and transitioning to net zero emissions, including reporting on the use of offsets and forecasts for the procurement and use of offsets.

Regardless of whether offsets are generated under compliance or voluntary systems, they should be generated from robust and transparent schemes which allow buyers to conduct due diligence. In its *Review of International Offsets*, the Authority identified criteria for offsets schemes across three categories: those that are fundamental to integrity, those that bolster integrity, and those that may be necessary in specific contexts.

Other countries are acting against greenwashing

I note that both the Australian Competition and Consumer Commission and the Australian Securities and Investments Commission have each recently identified greenwashing as a key enforcement priority. Like Australia, several countries rely on existing corporate disclosure rules and competition and consumer laws to monitor for greenwashing (see [New Zealand](#) and [Canada](#)). The United Kingdom's competition regulator has provided [guidance](#) on environmental claims on goods and services. The guidance provides six key principles to clarify consumer law expectations that relate to environmental claims.

In May 2023, the [European Parliament](#) proposed a new directive which would require member countries to legislate new general and specific consumer protections, by setting minimum requirements on the substantiation and communication of voluntary environmental claims and labelling in business-to-consumer commercial practices. Claims would need to be based on an assessment that meets the selected minimum criteria to prevent them from being misleading.



Several international bodies have provided guidance on how entities, including on a voluntary basis, can support net zero claims including:

- the United Nations' High-Level Expert Group on the [Net Zero Emissions Commitments of Non-State Entities](#) which published the Integrity Matters report at COP27 (November 2022);
- the Science-Based Targets initiative (SBTi) which has a voluntary corporate reporting tool and a [Net-Zero Standard Criteria](#); and
- the International Standards Organisation's [Net Zero Guidelines](#).

I hope this information is of assistance to the Committee.

Yours sincerely

Brad Archer
Chief Executive Officer

22 June 2023

