



17 February 2023

Kristy Graham  
Chief Executive Officer  
Australian Sustainable Finance Institute  
Hub Civic Quarter  
68 Northbourne Avenue  
Canberra ACT 2601  
**Via email only:** [Kristy.Graham@asfi.org.au](mailto:Kristy.Graham@asfi.org.au)

Dear Ms Graham,

The Australian Finance Industry Association (AFIA)<sup>1</sup> welcomes the opportunity to respond to the Australian Sustainable Finance Institute (ASFI) Taxonomy Project paper on Designing Australia's Sustainable finance taxonomy ('the framing paper').<sup>2</sup>

AFIA is the only peak body representing the entire finance industry in Australia.

We represent over 150 providers of consumer, commercial and wholesale finance in Australia, including bank and non-bank lenders, finance companies, fintechs, providers of vehicle and equipment finance, car rental and fleet providers, and service providers in the finance industry. We are the voice for advancing a world-class finance industry and our members are at the forefront of innovation in consumer and business finance in Australia. Our members finance Australia's future.

We collaborate with our members, governments, regulators and customer representatives to promote competition and innovation, deliver better customer outcomes and create a resilient, inclusive and sustainable future. We provide new policy, data and insights to support our advocacy in building a more prosperous Australia.

## **INTRODUCTORY COMMENTS**

AFIA members are at the forefront of Australia's transition to a low carbon economy. Our members manufacture and distribute innovative finance products and project financing that enable Australian consumers and

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<sup>1</sup> [www.afia.asn.au](http://www.afia.asn.au).

<sup>2</sup> Australian Sustainable Finance Institute Taxonomy Project (December 2022), [Designing Australia's Sustainable finance taxonomy](#)

businesses to adopt low and zero carbon technologies. Many members have committed to stage 1 and 2 cuts to reach net-zero by 2030.

A key strategic priority of AFIA is to support the sustainable and timely transition to net-zero carbon emissions through advocating for industry initiatives and commitments that encourage green finance.<sup>3</sup> The finance industry play a critical role in supporting consumers and businesses and we recognise that climate change poses a material risk to the financial system.<sup>4</sup>

AFIA is proud to represent nine Buy, Now Pay Later (BNPL) providers, who finance 17.4 per cent of Australia's annual uptake of rooftop solar.<sup>5</sup> This has helped contribute to Australia having the highest rates of rooftop solar installations in the world.<sup>6</sup> Furthermore, our 13 fleet members finance over 700,000 ongoing leases and play a pivotal role in driving down the over 16 per cent of Australian emissions that come from the transport sector, by championing the move to electric vehicles and cleaner, greener forms of personal transportation.<sup>7</sup>

AFIA members have also been actively engaged with the development of the Government's National Electric Vehicle (EV) Strategy, working to expand EV uptake in Australia.<sup>8</sup> This is crucial, given only two per cent of new vehicles purchased in Australia are EVs, compared to 5 per cent in the United States, 15 per cent in the United Kingdom, 17 per cent across the European Union and as much as 72 per cent in Norway.<sup>9</sup>

AFIA provided technical input to the ASFI taxonomy project as part of the Technical Advisory Group (TAG) to develop a green finance reporting taxonomy as a tool to foster efficient financing of the low carbon transition.<sup>10</sup> The framing paper provides the initial groundwork to develop an Australian sustainable finance taxonomy, along with the ASFI Roadmap and International Framing paper.<sup>11</sup> We recognise the importance of the development of an Australian framework to help direct capital and investment towards net-zero initiatives, which is necessary to reduce emissions and achieve our targets.

AFIA welcomes the recommendations to help to set out a pathway for the development and labelling of green financial products and sustainability standards, and to assist financial institutions assess the credibility of transition plans. We agree that climate change mitigation is an immediate priority, and that the Australian market urgently needs 'credible and usable guidance on the types of activities aligned with an Australian net zero transition pathway'.<sup>12</sup>

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<sup>3</sup> See AFIA's [Annual Review FY22](#), 13.

<sup>4</sup> Australian Government, The Treasury (December 2022), [Climate-related financial disclosure - Consultation paper](#), 5.

<sup>5</sup> Industry data provided to AFIA for compliance purposes.

<sup>6</sup> International Energy Agency (2022), [Trends in Photovoltaic Applications 2022](#), 10 and at 30.

<sup>7</sup> AFIA Appearance before the Senate Economics Legislation Committee ([23 August 2022](#)). Angie Raphael, 'We don't have a second to waste': Australia lags behind world on one thing' *The Australian* ([23 August 2022](#)).

<sup>8</sup> See AFIA (31 October 2022), [Submission on the National Electric Vehicle Strategy \(NEVS\)](#).

<sup>9</sup> AFIA [Submission](#) to the Inquiry into the Treasury Laws Amendment (Electric Car Discount) Bill 2022, 2-3.

<sup>10</sup> [Designing Australia's Sustainable finance taxonomy](#), 49 (n 2).

<sup>11</sup> Australian Sustainable Finance Roadmap (November 2020), [A plan for aligning Australia's financial system with a sustainable, resilient and prosperous future for all Australians](#) and ASFI Taxonomy Project (October 2022), [An analysis of international taxonomies and considerations for Australia](#).

<sup>12</sup> [Designing Australia's Sustainable finance taxonomy](#), 5 (n 2).

Interoperability is key to allow the sharing of information between differing jurisdictions to support climate goals, as well as enhancing and promoting the credibility of the Australian taxonomy.<sup>13</sup> AFIA further supports, in principle, the adaptability of the taxonomy to address other important thematic issues.<sup>14</sup>

We agree with ASFI that the finance sector will be the key user of the taxonomy and it is critical that they have continued involvement in the development, and future governance model, to ensure usability.<sup>15</sup>

In particular, AFIA is establishing a Sustainability Advisory Group which will provide important insights to the taxonomy's further development.

We look forward to commenting on further key issues that are still to be finalised in the taxonomy project's next phase, such as the methodology for integrating transition activities, identifying priority sectors, and developing entity and activity-level technical screening criteria.

#### **CLOSING COMMENTS**

We look forward to the ASFI's publication of their final recommendations and the next phase of the project.

Our members look forward to playing their part in financing Australia's transition to net-zero.

Should you wish to discuss our submission or require additional information, please feel free to contact me or Leisha Watson, Senior Policy Advisor.

Yours sincerely



Diane Tate  
**Chief Executive Officer**

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<sup>13</sup> Ibid, 16 discussing the core principles of credibility, usability, interoperability and prioritisation in recommendation 1.

<sup>14</sup> Ibid, 45.

<sup>15</sup> Ibid, 45.