

Relationship between decarbonisation scenarios, pathways, plans, and the taxonomy

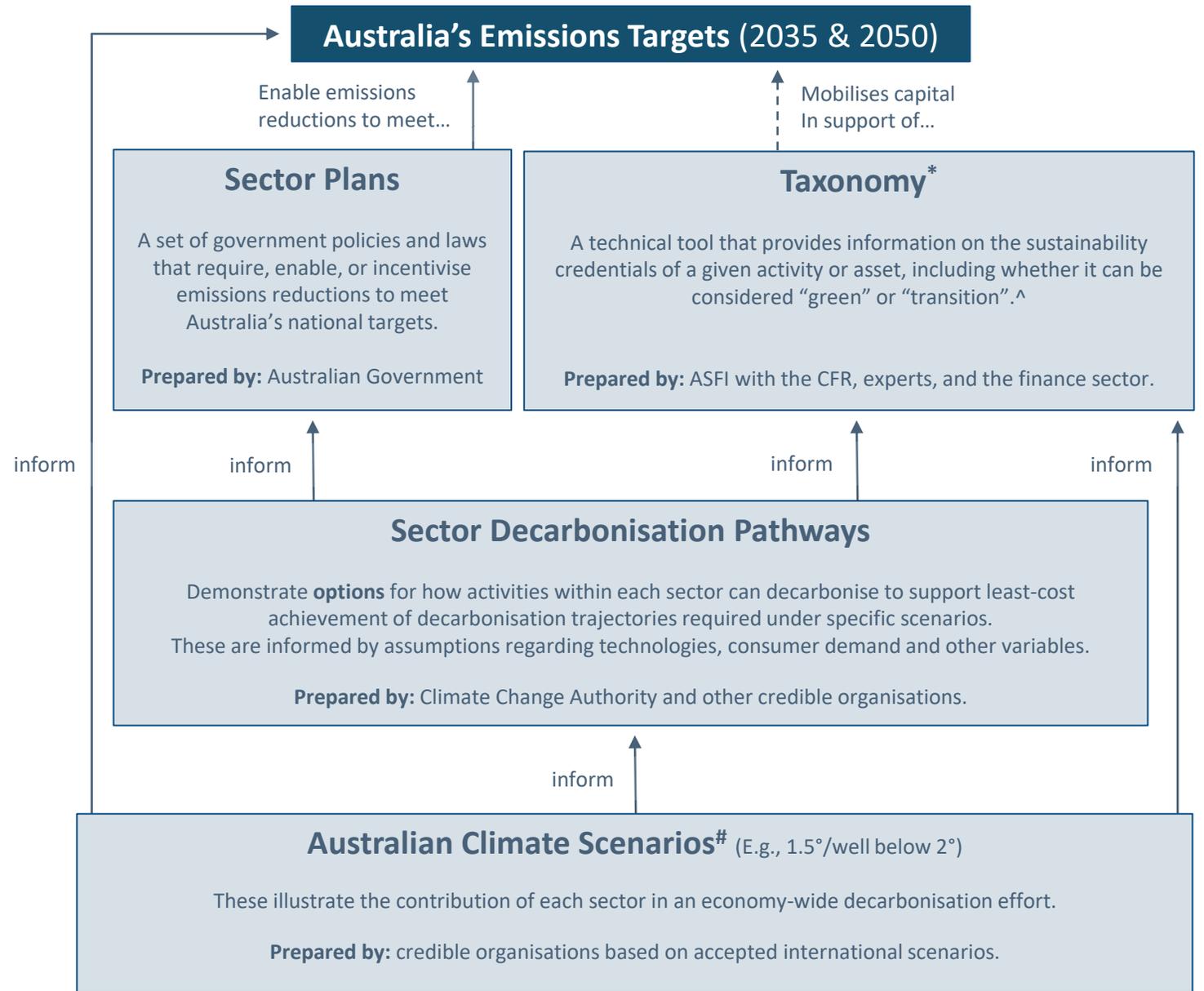
Notes:

On alignment of sector plans and the taxonomy: The priority sectors identified for the taxonomy are the same sectors as for the Sector Plans. ASFI is engaging with government departments as the plans develop and, when developing the taxonomy, will aim to cover the economic activities that are the focus of the plans, wherever possible. The ambition of the taxonomy and the sectors plans may not align in the near-medium term.

*Potential use cases for the taxonomy include: regulatory action on greenwashing; climate disclosure framework; corporate transition plans; sustainability product labelling scheme; and Sovereign Green Bonds Framework.

^Green = activities that are already aligned with 1.5* degree pathway.
Transition = activities that are not yet aligned with 1.5 degree pathway but are capable of transitioning and will be needed in a net zero world.

#Scenarios provide guidance on which economic activities could decarbonise and which must phase down or out by 2050 (and are therefore deemed “not eligible for transition”).



Relevance of sectoral plans and taxonomy to mobilizing private capital for climate

	Sectoral plans	Taxonomy
What is it	Set of government policies and laws that require, enable, or incentivise emissions reductions to meet Australia's targets.	Technical tool that provides information on sustainability credentials of assets and activities.
Purpose	To inform the 2035 target, and be clear about the range of policy measures that government will put in place to support transition of a sector. Should create a common understanding re future of key economic sub-sectors.	Mobilise private capital to support net zero transition, eliminate greenwashing.
How it mobilises capital to support transition	Particular policies included in the sector plans could be designed to make risk/return profile for some activities more attractive than others to mobilise private capital. Overall level of ambition will inform investors view of adequacy of Australia's climate policy.	Making it easy to identify investments that are already green (i.e. aligned with 1.5 pathway) or those that are 'transition' (i.e. needed in a net zero world and capable of transitioning).
How would the finance sector use it	To inform understanding of policy and regulatory environment (current and direction of travel) which will affect risk and return of investment opportunities; to inform engagement with investees/clients on transition.	Consistently and credibly determine alignment of investment opportunities with national and institutional net zero goals.
How is it being developed	By government departments, using as input the sector pathways (CCA), other modelling and stakeholder input.	Government/industry partnership through ASFI with expert input and strong stakeholder engagement.
Importance of international harmonisation	Low (national emissions targets and Pathways should align with science and global goals, but choice of plans/policies are nationally determined).	High
Interaction between them	The priority sectors identified for the taxonomy are the same sectors as for the Sector Plans. ASFI is engaging with government departments as the plans develop and, when developing the taxonomy, will aim to cover the economic activities that are the focus of the plans, wherever possible. The ambition of the taxonomy and the sectors plans may not align in the near-medium term.	