



Project:	Climate-related Financial Disclosures	Meeting:	AASB 6–7 June 2024 (M204)
Topic:	Definition of greenhouse gas (SMC 14)	Agenda Item:	5.5
		Date:	21 May 2024
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		Decision-Making:	High
		Project Status:	Consider ED feedback

Objectives of this paper

- 1 In respect to the proposal to incorporate in [draft] ASRS 2 *Climate-related Financial Disclosures* the definition of greenhouse gas (GHG) from IFRS S2 without any modification, the objectives of this paper are for the AASB to:
 - (a) consider feedback from stakeholders on Specific Matter for Comment (SMC) 14 of ED SR1 *Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information*; and
 - (b) decide on any changes required to be made to the definition of GHG for the purposes of finalising the Standard.

Abbreviations

- 2 The abbreviations used in this paper are outlined in Appendix A of Agenda Paper 5.0.

Background – The proposal in ED SR1

- 3 ED SR1 proposes adopting the IFRS S2 definition of GHG to define GHG as the seven greenhouse gases listed in the Kyoto Protocol. The seven gases are carbon dioxide (CO₂); methane (CH₄); nitrous oxide (N₂O); hydrofluorocarbons (HFCs); nitrogen trifluoride (NF₃); perfluorocarbons (PFCs) and sulphur hexafluoride (SF₆).
- 4 One of the gases, nitrogen trifluoride (NF₃), is not listed in the NGER Scheme legislation as a class of GHG. Notwithstanding that, the AASB decided to retain NF₃ in the definition of GHG because:
 - (a) the preference is for maintaining alignment with IFRS S2 as much as possible, and adding NF₃ in the scope of [draft] ASRS 2 would not conflict with the NGER Scheme legislation – it will be an addition to the requirements in NGER Scheme legislation; and
 - (b) although this is an addition to NGER Scheme legislation, it is unlikely to have a significant effect on Australian entities reporting under NGER Scheme legislation. This is because NF₃ is primarily

produced in the manufacture of semiconductors, liquid crystal display (LCD) panels, certain types of solar panels and chemical lasers. The CSIRO has informed the AASB that Australia does not have a significant presence in the manufacturing of these items and, therefore, there have been negligible amounts of electronic cooling fluids containing NF₃ consumed in Australia.¹ (ED SR1 paragraphs BC66–BC69).

Overview of staff recommendation

- 5 Staff recommend the Board retain the proposed GHG definition in ED SR1 as the seven greenhouse gases listed in the Kyoto Protocol with no modification to the definition in the IFRS S2 baseline.

Structure

- 6 The rest of the paper is structured as follows:
- (a) Section 1: Summary of stakeholder feedback
 - (b) Section 2: Staff analysis of stakeholder feedback and recommendations

Section 1: Summary of stakeholder feedback

- 7 SMC 14 of ED SR1 asked stakeholders: “Do you agree with the AASB’s proposal to incorporate in [draft] ASRS 2 the definition of GHG from IFRS S2 without any modification? Please provide reasons to support your view.” An identical question was included in the survey.
- 8 A total of 117 comment letters and 289 survey responses were submitted during the comment period:
- (a) 57 comment letters responded to SMC 14, 4 of which did not provide a clear view.
 - (b) 66 survey submissions responded to SMC 14.
- 9 The following table provides a high-level overview of the responses received on SMC 14.

	Agree	Partially agree	Disagree
Out of the 53 comment letters expressed a view on SMC 14 ²	87%	4%	9%
Out of 66 survey responses commented on SMC 14 ³	75%	14%	11%

- 10 Based on the staff judgement on the overall comments expressed in the comment letters and responses from survey respondents, most of the stakeholders who responded to SMC 14 agreed with the definition of GHG as the seven greenhouse gases listed in the Kyoto Protocol, with no modification to the definition in the IFRS S2 baseline. However, some of the respondents either disagreed with the proposal or had concerns with the proposed GHG definition.
- 11 Roundtable feedback broadly aligns with the comments from feedback from comment letters and survey responses. An overview of roundtable discussions has been separately provided for the Board’s reference.

1 As stated on page 66 of the [Australia’s emissions projections 2022](#).

2 Some respondents did not expressly state in their comment letters whether they agreed, disagreed, or partially agreed with a proposal. Staff applied judgement in categorising the overall comments expressed in the comment letters. An overview of stakeholder feedback expressed in the comment letters is presented as Agenda Paper 5.9 for the Board’s reference.

3 The survey responses have been provided separately for the Board’s reference.

Stakeholders' reasons for **supporting** the proposal

- 12 Most of the respondents who supported the proposal to adopt the definition of GHG in IFRS S2 did not provide a reason for their support.
- 13 The respondents who provided their reasons for supporting the proposal commented that the proposed definition would:
- (a) promote international consistency and comparability, and enhance information completeness;⁴
 - (b) not create an additional burden for Australian entities reporting under NGER Scheme legislation, given NF₃ emissions in Australia are currently immaterial;⁵ and
 - (c) accommodate the potential increase of NF₃ in future.⁶ In particular, one respondent noted that Australia's policy ambition to be a renewable energy superpower with allied downstream manufacturing industries has the potential to increase NF₃ emissions in Australia,⁷ which may lead to more NF₃ given it is used in the manufacture of renewable technologies (e.g. solar panels).
- 14 A few respondents indicated a preference for the NGER Scheme legislation to expand its GHG definition to include NF₃ rather than amending the IFRS baseline definition in [draft] ASRS 2.⁸

Stakeholders' reasons for **not supporting** the proposal

- 15 A few respondents expressly stated that they disagreed with the proposed definition. Most of these respondents considered that the GHG definition in [draft] ASRS 2 should align with the definition in the NGER Scheme legislation.⁹

Section 2: Staff analysis of stakeholder feedback and recommendation

- 16 The majority of the stakeholders who responded to SMC 14 support the proposed GHG definition in [draft] ASRS 2 and agree with the Board's consideration in paragraphs ED SR1 paragraphs BC66–BC69. Although twelve respondents preferred the definition to be aligned with NGER Scheme legislation, significantly more stakeholders support a close alignment with IFRS S2.
- 17 Including NF₃ within the scope of [draft] ASRS 2 is unlikely to increase the reporting burden for NGER reporters in the near term since NF₃ emission is immaterial in Australia. Staff also consider that should NF₃ emission become material in Australia in the future, the CER and DCCEEW may consider requiring NGER reporters to also report on NF₃ to align with the reporting needed under the Paris Agreement.

Other considerations

- 18 A few respondents qualified their support for the proposal with the following suggestions:
- (a) clarifying in ASRS 2 or accompanying guidance that the definition of GHG in the NGER Legislation Scheme does not include NF₃;¹⁰

4 For example, comment letters: 4, 6, 7, 9, 10, 11, 12, 20, 21, 27, 34, 35, 40, 41, 42, 43, 49, 54, 68, 74, 75, 92, 103, 104, 109 and 110; and survey responses: 4, 23 and 264.

5 For example, comment letters: 3, 9, 12, 21, 35, 42 and 104.

6 For example, comment letters: 9, 69 and 74; and survey responses: 31, 109 and 196.

7 For example, comment letters: 9. See [Australia's trade and investment opportunities in a global green economy](#) for more details.

8 For example, comment letters: 9, 16, 40 and 41; and survey response: 172.

9 For example, comment letters: 70, 73, 100, 101 and 113; and survey responses: 20, 21, 22 and 172.

10 For example, comment letters: 53, 67, 77 and 110; and survey response: 216.

- (b) providing guidance on how to measure NF₃ to promote consistent reporting, as the relevant methodologies are not included in NGER Scheme legislation;¹¹
 - (c) monitoring the NF₃ and related industry development in Australia;¹² and
 - (d) consider expanding the definition of GHG in the IFRS S2 baseline to include secondary GHG substances.¹³
- 19 Regarding the stakeholder suggestion in paragraph 18(a) to further clarify in [draft] ASRS 2 or accompanying guidance that the definition of GHG in the NGER Scheme legislation does not include NF₃, staff noted that ED SR1 paragraph BC67 already explained the difference between the GHG definition in the IFRS S2 baseline and the NGER Scheme legislation.
- 20 Staff consider the "Basis for Conclusions" section more suitable for providing such an explanation. Including these explanations in a standard's main requirements section could diminish their focus on the standard and create unintended confusion.
- 21 Regarding the stakeholder suggestion in paragraph 18(c) to consider providing guidance on how to measure NF₃,¹⁴ staff noted that both the current version of *GHG Protocol Corporate Accounting and Reporting Standard (2004)* and NGER Scheme legislation do not cover NF₃. GHG Protocol and Guidance is currently in the process of being updated, with anticipation to release draft standards/guidance for public consultation in 2025 and to publish final standards/guidance in the latter half of 2026.
- 22 Staff recommend the Board monitor the developments of the GHG Protocol and have regular liaison discussions with the Clean Energy Regulator (CER)¹⁵ and DCCEEW to ensure relevant methodologies would be available for Australian entities to measure NF₃ in due course should NF₃ become material in Australia.
- 23 In relation to the stakeholder suggestion to expand the GHG definition to include secondary GHG substances in paragraph 18(d), staff undertook further research and observed that:
- (a) there is no global consensus on what constitutes secondary GHG substances; and
 - (b) there are no generally accepted measurement methodologies for secondary GHG substances. NGER Scheme legislation and GHG Protocol do not provide measurement methodologies for these substances.
- 24 Accordingly, staff do not recommend adding secondary GHG substances in the scope of [draft] ASRS 2.
- 25 With reference to the [AASB Sustainability Reporting Standard-setting Framework](#), international alignment is prioritised with amendments to the baseline of IFRS Sustainability Disclosure Standards made only where it is necessary to do so to meet the needs of Australian stakeholders. Staff consider amendments to the baseline unnecessary based on the above discussion in paragraphs 16–24.

11 For example, comment letter: 101

12 For example, survey responses: 9, 31 and 130.

13 For example, survey response 38.

14 The proposed GHG emission measurement hierarchy in [draft] ASRS 2 paragraph Aus31.1(b) is subject to Board deliberation.

15 CER is the government agency administering NGER reporting.

- 26 Based on the stakeholder feedback and staff analysis, staff recommend the Board confirm its decision to retain the proposed GHG definition in ED SR1, that is the seven greenhouse gases listed in the Kyoto Protocol with no modification to the definition in the IFRS S2 baseline.

Question 1 to the Board:

Do Board members have any comments on the staff analysis in the paper?

Question 2 to the Board:

Do Board members agree with the staff recommendation in paragraph 26 to retain the proposed GHG definition in ED SR1 as the seven greenhouse gases listed in the Kyoto Protocol with no modification to the definition in the IFRS S2 baseline? If not, what other approaches would Board members suggest?