Consultation on Climate-related Transition Planning Guidance

UNSW Institute for Climate Risk and Response

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Risk and Response

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Executive summary

The UNSW Institute for Climate Risk and Response (ICRR) welcomes the opportunity to contribute to Treasury's consultation on Climate-related Transition Planning Guidance. We strongly support the development of guidance that is internationally aligned, scientifically credible, and tailored to Australia's unique exposures and policy context.

We submit that credible transition planning guidance must:

1. Recognise that **transition planning is a process**, not just a disclosure exercise. Guidance should therefore support entities in building robust internal planning capabilities.
2. Integrate **both transition and physical risks** and include nature where material. Australia's economy is deeply exposed to climate impacts, and resilience-building is as essential as decarbonisation. Transition planning must be framed as strategy for a *decarbonising and warming* world.
3. Encourage **dynamic and adaptive planning approaches** that can accommodate volatility, uncertainty, complexity and ambiguity, rather than rely solely on linear pathways and static targets.
4. Provide **practical tools, not duplicate disclosure requirements.** The guidance should offer end-to-end explanations of the planning process, worked examples from different sectors, and sample disclosures to demonstrate credible practice.
5. Place **capital allocation decisions at** the centre of credibility assessments: how an entity directs resources provides the clearest signal of its preparedness for a decarbonising and warming world.

While UNSW ICRR commends Treasury's alignment with the IFRS Transition Plan Taskforce (TPT) Disclosure Framework, we emphasise that this framework is designed primarily for disclosure. The greater need for Australia is guidance that supports **transition planning as a strategic process**, enabling entities to test scenarios, formulate strategic intent, plan, execute, monitor, and adjust.

Through its research and partnerships, UNSW ICRR brings unique expertise in scenario analysis, governance, strategy, and decision-making under deep uncertainty. We stand ready to work with Treasury and stakeholders to ensure that the guidance equips Australian organisations to plan credibly, disclose transparently, and contribute to both national decarbonisation and resilience objectives.

Introduction

Australia faces an historic opportunity. Transition planning is emerging globally as a cornerstone of sustainable finance, linking climate science, corporate strategy, and capital allocation. Treasury's draft guidance represents a critical step in ensuring that Australian organisations are not only aligned with international best practice but also equipped to navigate Australia's distinctive climate risks and opportunities.

We support Treasury's commencement point in aligning with the International Financial Reporting Standards (IFRS) Foundation's Transition Plan Taskforce (TPT) framework. However, **the TPT materials** are disclosure-focused, and **do not sufficiently address the strategic planning process** entities must undertake if their transition plans are to be credible, dynamic, and decision-useful. A disclosure-only orientation risks producing plans that appear complete on paper but fail to guide real investment and adaptation decisions.

For transition planning to be meaningful, investors need to understand not only targets, but also the scenarios, and strategic intent underpinning them.

This requires guidance that goes beyond disclosure checklists to support scientifically credible and adaptive planning approaches, capable of addressing both transition and physical risks in a non-stationary climate.

About the UNSW Institute for Climate Risk and Response (ICRR)

The UNSW Institute for Climate Risk and Response (ICRR) is a university-wide initiative that brings together expertise in **climate science, economics, law, governance, and behavioural science** to help organisations, industries, and governments understand and act on climate risk.

We are dedicated to answering a central question: *how to credibly empower responses to the risks and opportunities of climate change.* Our work spans:

- **Climate science translation** – making the latest insights from physical and environmental sciences accessible and usable by decision-makers.
- **Risk analysis and measurement** – identifying, assessing, and interpreting how climate risks will play out across sectors and geographies.
- **Governance and assurance** – supporting organisations with frameworks for decision-making, oversight, and accountability.
- **Strategic guidance** – helping leaders evaluate and communicate scientifically credible mitigation and adaptation pathways, stress-test assumptions, and align capital allocation with transition strategies.

ICRR's role is both **research and practice-oriented**. We investigate climate risks but also develop applied advice on how to address them, helping stakeholders embed resilience and climate-awareness into their strategies and operations.

We engage with regulators, corporates, and communities across Australia and the

Asia-Pacific, translating climate knowledge into decision-useful insights for boards, investors, and policymakers.

By combining interdisciplinary expertise with practical engagement, ICRR is uniquely placed to help bridge the gap between **climate risk knowledge** and **organisational response**, equipping Australia to thrive in a decarbonising and climate-exposed world.

Key issues identified

1.1 Transition planning as a strategic process, not just disclosure

Although transition plans are barely mentioned in AASB S2, **transition plans are likely to become at least as important** to investors and regulators, **as disclosures of climate-related risks and opportunities**, because they:

1. Set out the company's response to its material risks and opportunities
2. Are critical to the forward-looking allocation of capital, helping investors and regulators understand whether corporate strategies are robust or simply paper commitments

As noted by the Network for Greening the Finance System (NGFS), transition plans also have the potential to become the "*centrepiece in showing the real economy's pathway to a net-zero future.*"[1]

Planning guidance will ensure Australian entities' transition plans are robust for internal use and external reporting

As Eisenhower observed, "*plans are useless; planning is everything*." The danger is that the IFRS TPT framework, while valuable as a disclosure framework, obscures the underlying process by focusing only on what is reported at the end.

Given the novelty of transition planning and the complexity of the transition itself, we believe **guidance on transition *planning* is more important than additional guidance on transition plan *disclosure*.**

1.2 Physical risk *must* be included

The transition is not only about decarbonisation. Even under a 1.5°C scenario, which is increasingly recognised as unlikely, the impacts of climate change are profound and accelerating.

One benefit of Treasury's proposed adoption of the TPT disclosure framework, is that it includes **adaptation to physical risks** as an essential component of the transition ("toward a lower-emissions, climate-resilient economy]"). However, a disclosure framework focuses on the elements of the plan that are disclosed, not the development of the plan itself. **The TPT framework obscures the planning process.**

Importantly, the onset of climate change has shifted the world from a *stationary*[2] to a

[1] https://www.ngfs.net/system/files/import/ngfs/medias/documents/stocktake_on_financial_institutions_transition_plans.pdf

[2] https://www.science.org/doi/10.1126/science.1151915

non-stationary state: a world we have never lived in before. Many well-intentioned initiatives are now vulnerable because they assumed the future would resemble the past.[3] Transition planning that ignores non-stationarity, risks repeating these errors. Guidance should therefore be framed as "***transition planning for a new world***".

International bodies have already recognised these shifts.

- IFRS has evolved from defining a "transition plan" as "*the entity's targets, actions or resources for its transition towards a lower-carbon economy a set of actions for a lower-emissions economy"* (the same as in AASB S2, 2024),[4] to defining "transition planning" as "*the strategic process that an entity follows to set its transition-related goals and plan its actions for its transition towards a lower-carbon and/or climate-resilient economy*".[5]
- NGFS is even more explicit, noting "***transition plans should evolve from mitigation-centric tools*** *into more comprehensive frameworks that integrate adaptation actions aligned with broader institutional and systemic resilience objectives…* [that set out] *an institution's strategic response to risks and opportunities arising from* ***the system-wide impacts of climate change and the transition to a low-emission economy***."[6]
- New Zealand's External Reporting Board (XRB) likewise defines transition planning as the process to ensure businesses can "*operate, generate sustainable revenue, protect assets and finance themselves in a* ***low-emissions, climate-resilient future***".[7]

In other words, **transition planning must integrate adaptation to physical risk**. This is especially true for companies whose material climate risks are predominantly physical.

The same logic applies to **nature-related risks and opportunities**. Climate, adaptation, and nature are deeply interconnected. Where material, responses to nature-related risks should be integrated into transition planning, ensuring that climate action does not inadvertently undermine ecosystems and that nature-based solutions are leveraged for resilience.

The key strategic consideration is how the entity can prosper in a decarbonising AND warming world. Everything else flows from this.

1.3 Planning needs to be dynamic and adaptive to uncertainties

Planning approaches for decarbonisation and adaptation have historically been very

[3] e.g., https://www.wtwco.com/en-au/insights/2025/09/managing-fire-risk-in-utility-scale-solar-farms https://www.theguardian.com/australia-news/2021/nov/16/ultimately-uninhabitable-western-sydneys-legacy-of-planning-failure

[4] https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-a/issb-2023-a-ifrs-s2-climate-related-disclosures.pdf?bypass=on

[5] https://www.ifrs.org/content/dam/ifrs/supporting-implementation/ifrs-s2/transition-plan-disclosure-s2.pdf

[6] https://www.ngfs.net/en/publications-and-statistics/publications/ngfs-input-paper-integrating-adaptation-and-resilience-transition-plans

[7] https://www.xrb.govt.nz/dmsdocument/5185/

different.

Mitigation pathways were first conceived in terms of marginal abatement cost curves and long-run cost minimisation — a framing that assumed time was available and the economy would adjust incrementally. This logic no longer holds. Climate change is here now; the economy cannot rely on gradual adjustments or "least-cost" optimisation alone.

Adaptation planning,[8] by contrast, has long used approaches grounded in **Decision-Making under Deep Uncertainty (DMDU)**. Methods such as Dynamic Adaptive Policy Pathways (DAPP)[9] and real options analysis[10] emphasise sequencing, trade-offs, flexibility, and the value of keeping options open. These approaches help avoid lock-in and identify emerging opportunities under volatile conditions. They are increasingly relevant for adaptation, as well as corporate strategy and decarbonisation planning.

Scenario analysis plays a foundational role here. It is not about predicting the future but about uncovering uncertainties and testing resilience. As the XRB has shown in its guidance, robust scenario analysis allows organisations to interrogate their foundational assumptions, challenge business-as-usual thinking, and build strategies that can flex across diverse futures. Treasury's guidance should therefore encourage preparers to go beyond the minimum required scenarios, and to adopt a richer set of challenging scenarios that expose vulnerabilities and opportunities alike.

In addition, **climate-related stress testing** provides a targeted form of scenario analysis. Stress tests examine the vulnerabilities embedded in a transition plan's key assumptions and dependencies, asking what happens if those assumptions fail. This is particularly relevant for long-lived assets and high-stakes decisions where regret costs are high. As the NGFS has argued, *"more scenario analysis for longer-term assets and those with 'high regret' (high stakes)"* is needed. Stress testing, including the use of narrative storylines alongside quantitative scenarios, can help organisations uncover fragilities and design more adaptive strategies.

The XRB has been one of the first regulators to integrate these approaches, showing through worked examples how DAPP can be combined with familiar corporate strategy tools (e.g. Porter's five forces, BCG matrices).[11] Such examples demonstrate how transition planning can strengthen strategic planning and provide templates for organisations with limited prior experience.

DMDU frameworks have much to offer to decarbonisation- and adaptation-related decision-making and corporate strategic planning more broadly.

Australian guidance should draw on the valuable work done by the XRB to make similar products tailored for Australian audiences.

1.4 Guidance should equip organisations with practical tools for strategic planning

The consultation paper notes that sections on governance, metrics, and targets overlap closely with requirements already mandated under AASB S2. While alignment

[8] https://www.tandfonline.com/doi/full/10.1016/j.polsoc.2016.05.002#abstract
[9] https://www.sciencedirect.com/science/article/pii/S095937801200146X
[10] https://wires.onlinelibrary.wiley.com/doi/full/10.1002/wcc.642
[11] https://sbc.org.nz/wp-content/uploads/2025/03/20251303-TP-Staff-Guidance-V4-Final.pdf

is valuable, duplication without added value risks confusing preparers. For the guidance to be most useful, **Treasury should prioritise supporting the strategic requirements of transition planning** — currently described only briefly under *Strategic Ambitions, Implementation Strategy, and Engagement Strategy*.

This means focusing on elements that enable organisations to build scientifically credible, decision-useful strategies, rather than simply reiterating disclosure requirements.

Three elements that would greatly strengthen the guidance include:

- **End-to-end explanations** of the key steps in transition and adaptation planning, showing how organisations move from strategic ambition to implementation, monitoring, and adjustment.
- **Case studies and worked examples** that illustrate how different types of organisations, facing different risk exposures and levels of sophistication, can approach transition and adaptation planning.
- **Sample disclosures** drawn from such case studies, which would help preparers translate internal planning into credible, decision-useful reporting.

A case study underscores the importance of integrating mitigation and adaptation, and of discarding a narrow emissions-reduction focus in favour of a broader **value proposition-first approach**.

Case Study: Aeromedical Services in the Top End (fictitious)

NT Aero Medical (NTAM) is a mid-sized company providing emergency medical and evacuation services across northern Australia. Its clients include large resources and pastoral companies, and the NT Government, which relies on NTAM for services to remote Indigenous and islander communities.

NTAM operates light aircraft of a standard design with twin propeller engines fuelled by aviation gasoline (avgas). The aircraft are capable of landing on the many dirt / grass airstrips common across the region. The flights operate with a single pilot and a doctor / nurse for a single patient along with emergency medical equipment. A typical flight operation comprises journeys of 2- 3 hours and 1000 km range from a regional base to the remote airstrip, to receive the patient and return.

Stage one: initial decarbonisation plan

Initially, NTAM's decarbonisation plan focused narrowly on the assumption it could

- Purchase offsets, and
- Get preferential access to biofuels.

Stage two: plan review

But when reviewed, the plan was found wanting:

- Offsets would be prohibitively expensive
- Preferential biofuel access was unrealistic, and — most critically
- The plan ignored the mounting physical risks already disrupting operations, including extreme weather, power blackouts at bases, and inundated

airstrips.

Stage three: preparing for a new world

Reframing the exercise as "*what problem are we trying to solve*?" produced a radically different outcome.

NTAM explored a shift to hydrogen-powered EVTOL aircraft, with local hydrogen production enabling:

- Off-grid resilience,
- Potential for autonomous operations, and
- Independence from airstrips.

Rather than an incremental emissions reduction plan, NTAM's new approach positioned it for long-term service reliability and innovation.

This example shows that guidance should support organisations to consider **adaptation and mitigation holistically** and to frame planning around **value creation in a non-stationary climate**. Without such practical tools and illustrations, transition plans risk remaining narrow, emissions-first exercises; credible on paper but strategically hollow.

1.5 Capital allocation as the critical metric, not greenhouse gas emissions

Metrics and targets are necessary, but they do not capture the essence of transition credibility.

Science-based targets in particular are often unavailable to many entities, and where they are adopted, they tend to be taken up by companies that can easily achieve them. This limits their reach and usefulness. In some cases, entities may not need to reduce emissions in the medium term if they operate in areas of high transition-related growth. Relying on rigid emissions trajectories can therefore obscure real risks and opportunities and encourage box-ticking rather than strategy.

The more meaningful test of credibility lies in **capital allocation decisions**. As one leading analysis notes:

> "*If a company's capital assets largely 'lock in' present-day emissions, its capital plan is a choice that foretells the company's climate future. Understand a company's plan for acquiring, developing, and maintaining its capital assets, and you have a clear picture of its future emissions… CapEx shows where a company is headed, what emissions it's enabling, and whether it's supporting or delaying the transition with its balance sheet*." [12]

For this reason, **guidance should place capital allocation decisions at the centre of transition planning.**

It is not enough to disclose headline emissions targets or offset purchases; investors

[12] https://blogs.law.columbia.edu/climatechange/2025/08/04/when-tracking-corporate-climate-conduct-do-we-focus-too-much-on-emissions/

need to see how capital is being deployed to build resilience, reduce exposures, and pursue new opportunities. To strengthen this focus, Treasury's guidance could leverage the Australian Sustainable Finance Taxonomy in determining the proportions of capex that support the transition or not.[13]

[13] NB The Taxonomy does not yet include adaptation or resilience, and needs to do so as a matter of urgency.

Response to consultation questions

Question 1: Do you support transition plan preparers being the target audience for using the guidance?

Yes Preparers are the right target audience, but the guidance must also be decision-useful for investors, regulators and civil society. This means that transition plans should disclose not only ambitions and targets, but also the **strategic processes**, **assumptions, scenarios, and capital allocation decisions** underpinning them. Without this, users cannot assess credibility or resilience.

Question 2: Do you have feedback on the proposed design principles that underpin the draft guidance?

a) Internationally aligned

b) Supports domestic decarbonisation and adaptation

c) Balances ambition and flexibility

d) **Climate first but not only**

Throughout the document there is some confusion as to whether the subject of focus is transition **planning as a process**, transition **plan implementation**, or a transition **plan as a disclosed output**. This comes through in the principles.

For example:

- 'Internationally aligned' is a suitable principle for the structure and content of a transition plan disclosure but is not relevant to the transition planning process or the transition plan itself.
- On the other hand, 'Supports domestic decarbonization and adaptation' appears to refer to the actions contained within the transition plan.

We suggest that it would be helpful to decide which principles apply to transition *planning*, and which apply to the disclosed transition *plan*.

In addition, we encourage the following considerations:

a) *Internationally aligned*. Alignment is valuable for comparability, but insufficient on its own. Guidance must also be **scientifically credible** and adapted to Australia's policy, risk, and climate context. Reliance on IFRS TPT alone risks narrowing focus to disclosure outputs rather than **planning processes**.

b) *Supports domestic decarbonisation and adaptation*. Strongly supported. Guidance should emphasise that credible plans must address **both transition and physical risks**.

c) *Balances ambition and flexibility*. Supported but should go further. Plans should be expected to be **dynamic, adaptive, and iterative,** to avoid path dependency and facilitate flexibility as conditions evolve.

d) *Climate first but not only*. Agreed. Where material, **nature-related risks and opportunities** must be integrated into transition planning, alongside just

transition and social considerations.

Question 3: Are there other principles or considerations the guidance should prioritise and why?

We support adding the above principles. Given the caveats provided, however, we also feel guidance should prioritise:

e) *Scientific credibility*. Guidance must be grounded in **robust climate science and scenario analysis** to ensure it is both strategically useful for preparers and decision-useful for investors. Plans that rely on limited or poorly tested assumptions risk becoming misleading or irrelevant.

f) *Strategic resilience focus*: Transition planning and implementation will be sidelined within the entity if it is not fully **integrated into business strategy**. If it is seen merely as an emissions-reduction add-on to business-as-usual, the process will fail.

g) *Iterative and dynamic*: There should be a clear expectation that transition planning is a repeated exercise that positions the entity to respond to changes in its strategic context. Iteration is implied in the references to the TPT cycle, but managing the necessary **balance between consistency and dynamism between plans** should be made more explicit, with acknowledgement of the value of dynamic adaptation policy planning.

Question 4: If you are an end user of transition plan disclosures, are there additional considerations you would like to see included?

Yes. End users need transparency on the **analytical inputs and process** used to develop the transition plan. This should include:

- The **scenarios** considered (and why they were chosen)
- The **assumptions and dependencies** underpinning those scenarios
- The **methodologies and analytical tools** applied (e.g. stress testing, DAPP, risk assessment methods), and
- The **process steps** followed in moving from inputs to strategic ambition and implementation.

In addition, disclosures should make clear:

- How the **strategic planning process** was undertaken, so users can assess robustness
- How the entity will **adjust dynamically** if assumptions prove wrong or if external conditions shift
- How **capital allocation decisions** align with stated ambitions, and
- How the organisation has engaged with **science, communities, and First Nations** to ensure credibility and legitimacy.

Question 5: Do you intend to use the International Financial Reporting Standards Foundation's Transition Plan Taskforce (IFRS TPT) disclosure framework to either develop your organisation's transition planning or for investment and lending decisions? What other alternative frameworks do you intend to use?

We acknowledge IFRS TPT as a valuable starting point. However, it is disclosure-focused and does not adequately support the planning process.

We intend to **leverage the XRB's guidance as the more scientifically credible,** as it integrates adaptive approaches (DAPP, stress testing) and provides worked examples. We recommend Treasury also draw on XRB guidance.

Question 6: Are there areas where you think the guidance should be more prescriptive and/or are there areas where you think it should it be more flexible and why?

The guidance needs to strike the right balance. At present, it risks being too narrow in scope, focusing primarily on decarbonisation, and too rigid in its treatment of mitigation targets. A credible approach requires greater prescription in some areas, and greater flexibility in others.

- **More prescriptive:**
  - The guidance should be definitive that "the transition" includes climate change broadly, not just decarbonisation. Transition planning must therefore address material physical as well as transition risks and opportunities.
- **More flexible:**
  - On mitigation targets, the guidance should recognise that **science-based targets are often unavailable or of limited use**. They are disproportionately adopted by companies that can already achieve them easily. Instead, the guidance should allow entities to adopt **risk- and opportunity-based goals**, grounded in Australian sectoral pathways and plans,[14] which are a more realistic and useful basis for ambition.
  - The guidance should also acknowledge that **operational emissions reduction is not the highest-value response for all entities**. For companies whose growth depends on providing climate-related solutions, capturing the **opportunities of the transition** can be as important as managing risks.

Question 7: Do you see a need for further sector-specific guidance?

Yes. Sector-specific guidance, particularly worked case studies, is essential. Examples should show different levels of capacity and sophistication, showcasing entities operating in different sectors with different capacity would be helpful, as the NZ XRB has done.

The government is probably not the most suitable developer of this guidance but could support its production, as per the XRB's endorsement of transition planning guidance

[14] https://www.dcceew.gov.au/climate-change/emissions-reduction/net-zero/electricity-and-energy-sector-plan

done by the NZ Sustainable Business Council.

8) Please provide any additional feedback from a transition plan preparer, user or broader stakeholder perspective on the direction and design of the guidance.

The draft guidance risks duplicating TPT. To add value, it should be framed as an **Australian augmentation** that:

- Links to domestic policies, sectoral pathways,[15] and the **National Climate Risk Assessment.**
- Provides clarity on differences between minimum reporting scenarios (AASB S2) and the **richer scenario/stress testing required for credible planning**.
- Includes **case studies** (e.g. the NT Aero Medical example) that illustrate why adaptation and mitigation must be integrated, and why capital allocation decisions are decisive.

Draft Transition Planning Guidance

9) When providing feedback on the draft guidance, please consider:

a) Are there areas that could be improved to make the guidance more useful?

Yes. The guidance should focus more explicitly on the **planning process**, not only disclosure. It should emphasise adaptation, scenario analysis, and capital allocation

b) Is the level of proposed detail sufficient? If not, what additional advice or detail would you like to see provided in the guidance and in which sections and why?

The current draft does not provide enough detail to support credible transition planning in the Australian context. Much of it restates IFRS TPT materials without showing *how* organisations should plan under uncertainty.

The guidance would be more valuable if reframed as an **Australian augmentation of TPT**, linking explicitly to domestic documents and policies such as the National Climate Risk Assessment, the forthcoming National Adaptation Plan, and sectoral pathways.

It should also provide clear discussion of the differences between the **minimum scenario analysis requirements for reporting under the Corporations Act** and those needed for credible transition planning. For example, transition planning cannot be based solely on a 1.5°C and a >2.5°C scenario; this binary framing does not capture the range of uncertainties most entities face.

In short, the guidance should move beyond repeating international frameworks to provide tailored advice that reflects Australia's specific risks, policies, and planning

c) Would further use of case studies or examples be of assistance in the guidance? If so, feedback is welcomed on potential case studies or examples.

Yes. More case studies are essential to show diverse approaches across sectors and

[15] https://www.dcceew.gov.au/climate-change/emissions-reduction/net-zero/electricity-and-energy-sector-plan

maturity levels. They should demonstrate both good practice and pitfalls. The fictitious NT Aero Medical example is illustrative: reframing the problem beyond offsets and biofuels led to an integrated mitigation–adaptation strategy, grounded in capital allocation.

d) Are you aware of other relevant material that should be included in Appendix A and why

The draft Appendix A is a useful starting point but misses some important resources that would strengthen the guidance for Australian preparers. In particular, it should reference materials that show how to plan under deep uncertainty and how to connect climate risk with domestic policy and sectoral context.

We recommend including:

- **Dynamic Adaptive Policy Pathways (DAPP)** and other decision-making under deep uncertainty (DMDU) frameworks, which provide practical tools for iterative and adaptive planning.
- **Australian resources** such as the National Climate Risk Assessment,[16] the National Adaptation Plan,[17] sectoral pathways under the Net Zero Plan,[18] and the First Nations Clean Energy Strategy.[19]

By incorporating these additional resources, the guidance would better equip organisations to integrate international frameworks with **Australia-specific science, policy, and practice**, ensuring transition planning is both credible and locally relevant.

[16] https://www.acs.gov.au/pages/national-climate-risk-assessment
[17] https://www.dcceew.gov.au/climate-change/policy/adaptation/nap
[18] https://www.dcceew.gov.au/climate-change/emissions-reduction/net-zero#toc_1
[19] https://www.energy.gov.au/sites/default/files/2024-12/First%20Nations%20Clean%20Energy%20Strategy.pdf