Preparing for Expanded Financial Disclosure: Assessing you Scope 3 Carbon Emissions

Andrew Tessler

Head of Economic Impact Consulting

Background and need for action

The Federal Government is set to introduce new environmental reporting standards - the Australian Sustainability Reporting Standards or ASRS.

These measures are mandatory for designated entities and will be implemented from 1 January 2025.

The idea of the ASRS is to inform investors and other stakeholders about a business' current and future greenhouse gas emissions.

This will help provide information to business, government and households and allow businesses to make better decisions about where to allocate resources given climate change risks.

International environment

While jurisdictions such as the UK and Japan have taken a lead in environmental reporting, they have focused on listed entities only. Likewise recent (2024) US SEC rules only apply to listed entities and exclude Scope 3. EU rules include listed and “large” non-listed companies.

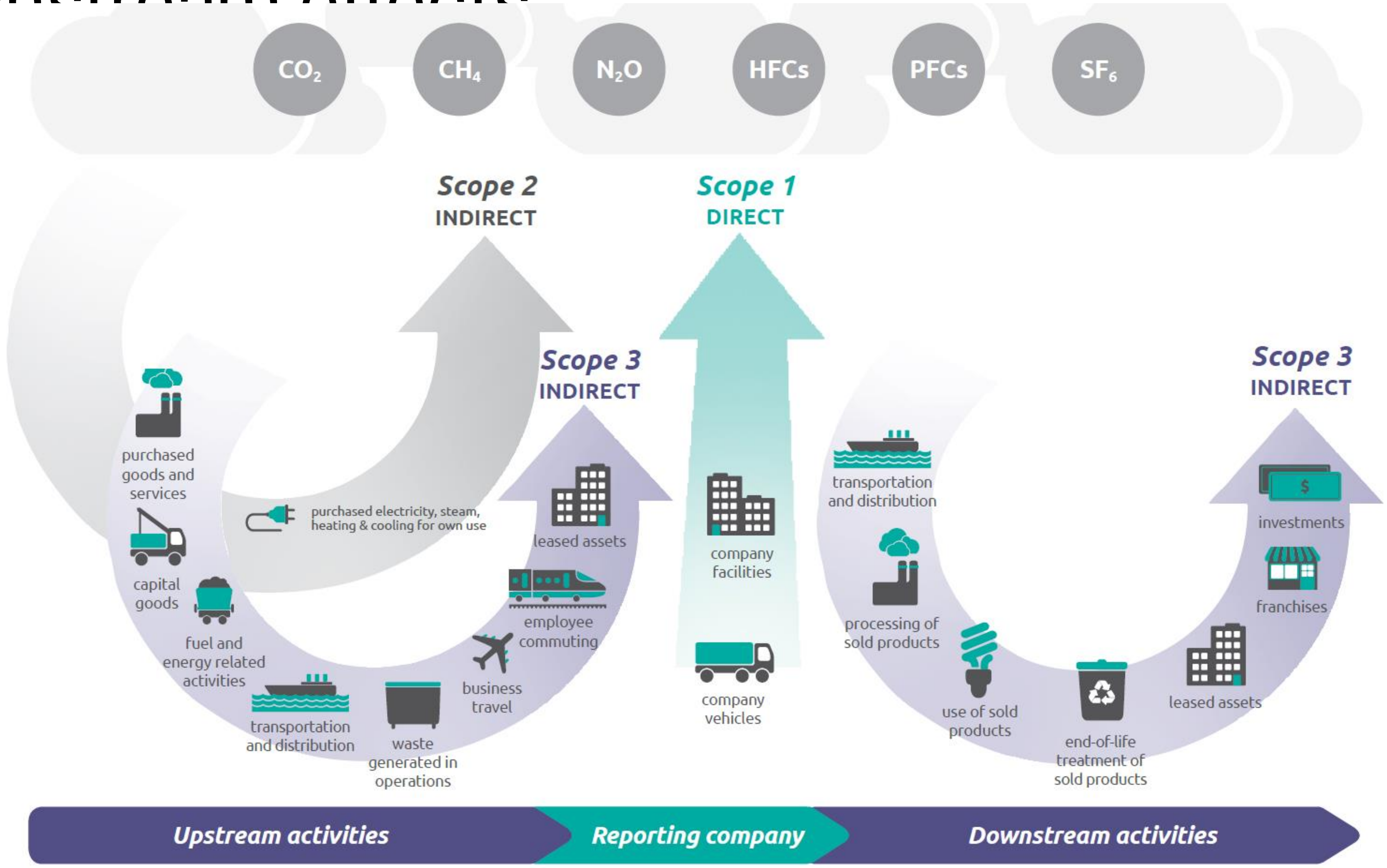
Australia's bill provides for reporting by both listed and non-listed entities.

The introduction of the ASRS will therefore make Australia among the global leaders in climate reporting, by mandating strong International Financial Reporting Standards (IFRS) aligned requirements on reporting entities.

Who will need to act – and when?

Group 1: January 2025	Group 2: July 2026	Group 3: July 2027
Criteria: reporting entities which meet 2 out of 3 of the following criteria: $500 million + consolidated revenue; $1 billion+ EOFY consolidated gross assets; 500+ employees or Major polluters under NGER Act	**Criteria:** Reporting entities which meet 2 out of 3 of the following criteria: $200 million+ in consolidated revenue; $500 million+ in EOFY consolidated gross asset; 250+ employees or Certain other reporting entities, super schemes or Major polluters under NGER Act	**Criteria:** Reporting entities which meet 2 out of 3 of the following criteria: $50 million+ in consolidated revenue; $25 million+ in EOFY consolidated gross; assets 100+ employees Group 3 entities may be exempt if they can prove they have no material climate-related risks and opportunities.

Scope 3 has been divided into upstream and downstream effects



Case study – Estimating upstream supply chain scope 3 emissions

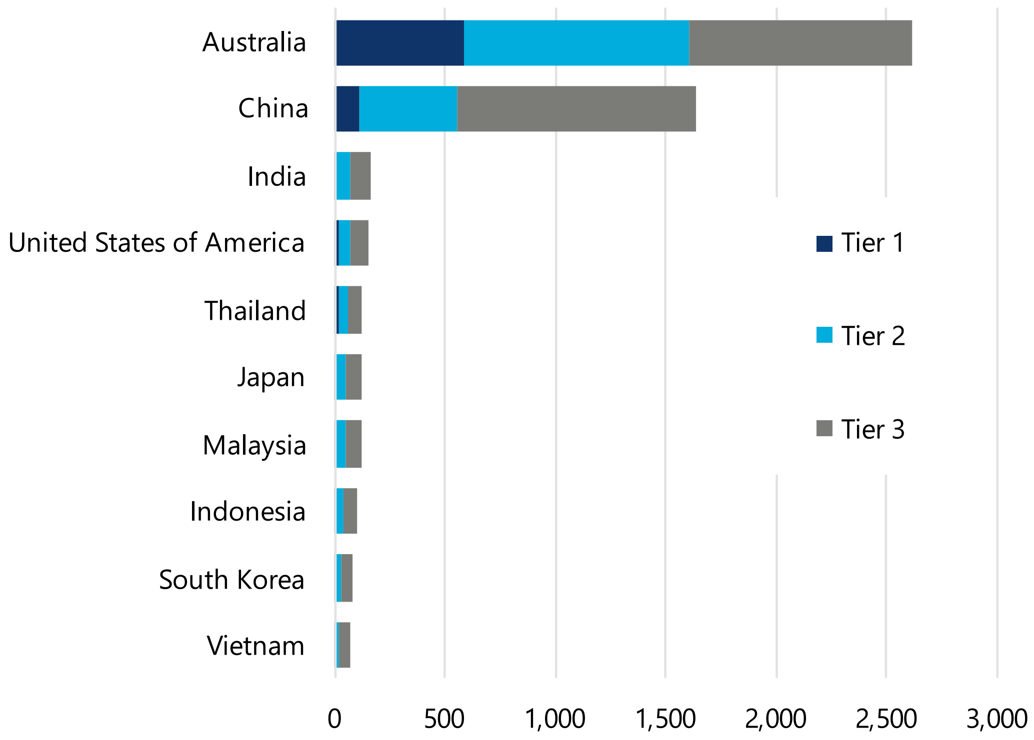
As an illustration, we estimate that $18bn in retail revenue induces 5,980 kt of GHG from Scope 3 emissions.

	Total emissions	Highest emitting sectors	Highest emitting countries
Tier 1 Direct suppliers	823 kt	•Rubber & Plastic •Electricity, Water & Waste •Fabricated Metal Products	Australia China US
Tier 2 Direct suppliers' suppliers	1,941 kt	•Electricity, Water & Waste •Basic Metals •Agriculture, Forestry & Fishing	Australia China India
Tier 3 Direct suppliers' suppliers' suppliers… (raw materials)	3,213 kt	•Electricity, Water & Waste •Basic Metals •Agriculture, Forestry & Fishing	China Australia India

Case study: Australian retail scope 3 emissions results in detail

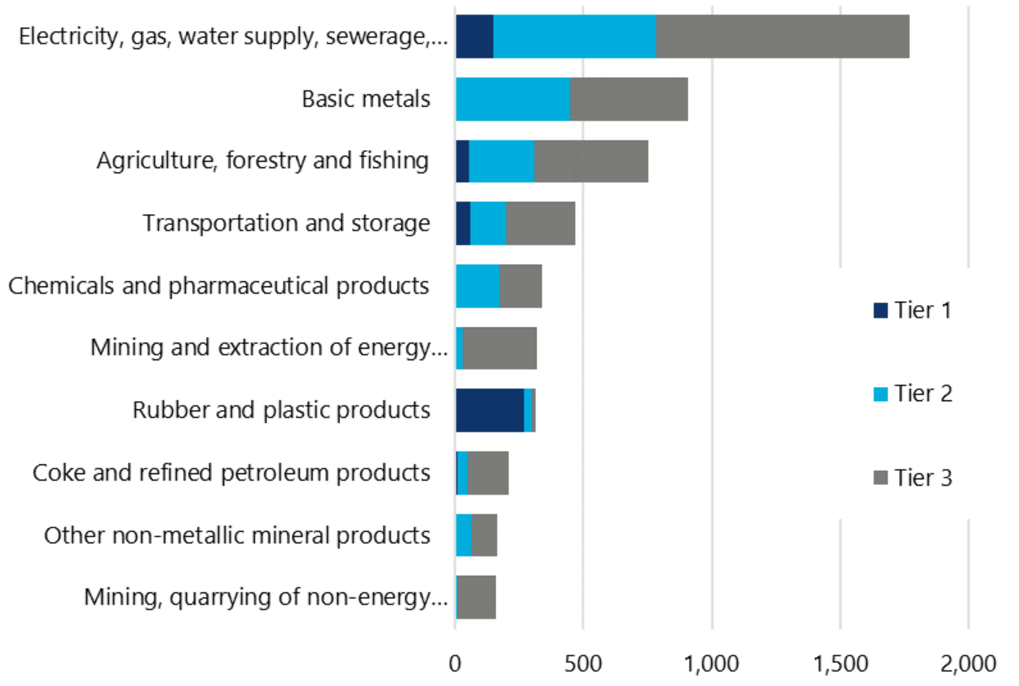
Most emissions are locally induced, closely followed by China. Electricity usage and the processing of basic metals to eventually form retail goods produced the most scope three emissions.

Emissions across countries



Top 10 Countries by Emissions

Emissions across sectors



Top 10 Sectors by Emissions

Scope 3 estimation – downstream challenges