

**Green Bonds and Transition Guidance Unit
Climate and Energy Division
The Treasury
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PARKES ACT 2600
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Consultation on Climate-related Transition Planning Guidance ('Consultation')

MSCI¹ welcomes the opportunity to comment on the proposed Climate-related Transition Planning Guidance ('Guidance'). As a leading provider of climate risk data and analytics to the global investment community, MSCI has collected climate and sustainability-related disclosures from thousands of companies globally for over two decades and developed tools to assist investors in their analysis of climate and sustainability risk to their portfolios.

MSCI supports the publication of the draft Climate-related Transition Planning Guidance by the Australian Treasury, as it aligns with internationally recognised frameworks and promotes consistent, comparable, and transparent information on corporate transition planning.

We have the following general observations, with more detailed responses to the specific consultation questions in the Annex.

- 1. Global alignment is essential:** To enhance transparency, comparability, and investor confidence the requirements should align closely with international standards. We welcome the proposed alignment of the Guidance with international frameworks, notably the Transition Plan Taskforce (TPT) Disclosure Framework² and the International Sustainability Standards Board (ISSB) Climate-related Disclosures (IFRS S2)³. Consistency with international standards reduces compliance burdens and supports cross-border capital flows.
- 2. Decarbonisation targets should be science-based:** Companies should not only set climate targets but also seek their verification by independent bodies such as the Science-Based Targets initiative (SBTi)⁴. This provides investors with confidence that corporate targets are credible and aligned with climate science.

¹ MSCI ESG Ratings, research and data are produced by MSCI ESG Research LLC, a subsidiary of MSCI Inc.

² [Transition Plan Taskforce](#) (IFRS, October 2023)

³ [IFRS S2 Climate-related Disclosures](#) (IFRS, June 2023)

⁴ [SBTi provides guidance to aid companies in target updating and transparency](#) (SBTi, July 2025)

3. The use of estimates for disclosure purposes should be explicitly recognised and endorsed:

Estimates and proxies can play an important role in ensuring completeness and comparability of sustainability disclosures, including transition plans. Where they are used by financial market participants, this should be clearly disclosed to ensure transparency.

We appreciate the opportunity to share our views and look forward to continued engagement with the Treasury.

Please do not hesitate to contact us to discuss our submission.

Yours sincerely,

Michael Percival

Michael Percival
Executive Director
Global Policy Head, Government & Regulatory Affairs

Q2: Do you have feedback on the proposed design principles that underpin the draft guidance?

MSCI supports the emphasis on international alignment of the proposed Guidance. The ISSB IFRS S2 and the TPT Disclosure Framework provide a robust foundation for transition planning. The Guidance should be principles-based, with clear minimum expectations on governance, metrics, and targets, while remaining flexible to accommodate sectoral differences.

In addition to global alignment the first principle should aim for interoperability with other jurisdictions, meaning that transition plans by Australian entities can be used to comply with transition planning obligations elsewhere, and that transition plans by foreign entities can be used in Australia. This would reduce compliance burdens and support cross-border capital flows.

We also support anchoring transition plans in Australia’s domestic decarbonisation and adaptation policies, though the Guidance should make clear that references are illustrative and allow companies to adapt plans to their sectoral and geographic context. We also recommend that the principle on balancing ambition and flexibility is refined to explicitly highlight scalability. Large entities should be expected to set high-ambition, science-based targets while smaller or less mature entities can adopt a phased approach without compromising comparability.

The inclusion of broader sustainability objectives, such as nature, is also welcome. Nature is increasingly recognised as integral to climate resilience and long-term value creation, as highlighted by global initiatives such as the Task Force for Nature-related Financial Disclosures (TNFD)⁵.

Q6: Are there areas where you think the guidance should be more prescriptive and/or more flexible and why?

Encouraging robust targets

MSCI supports the recommendations set out in the Guidance for companies to set comprehensive targets, covering scopes 1,2 and 3. The challenge for investors currently is assessing whether companies are on a credible path to meet their climate targets. This is essential for portfolio decarbonisation and for driving real-economy emissions reductions. Investors require access to clear, detailed and credible information on corporate climate ambitions and implementation strategies. Companies should be encouraged to not only set climate targets but also seek their verification by independent bodies (such as the Science-Based Targets initiative (SBTi)).⁶ provides investors with confidence that corporate targets are credible and aligned with climate science. According to MSCI’s research, while around 60% of listed companies globally have set climate targets, only around a

⁵ [The Taskforce on Nature-related Financial Disclosures](#) (TNFD, September 2023)

⁶ [MSCI Sustainability and Climate Trends to Watch 2025](#)

third of those (18.5%) reflect science-based targets verified by SBTi. Using accepted emissions accounting methodologies and science-based targets can help demonstrate credibility and support future assurance processes.

Companies should be reminded that, from investors' point of view, achieving targets is key and that decarbonization track-record is as important as setting robust forward-looking targets.

Including low-carbon CapEx

MSCI supports the proposed metrics set out in the draft Guidance. In addition, we recommend including disclosures of low-carbon (or 'green') CapEx, broken down by low-carbon technology. It is a better indicator of low-carbon business model transformation than voluntary decarbonisation targets which can be withdrawn or amended. Even though the TPT disclosures do not include CapEx, it is widely seen as useful for investors. Low-carbon CapEx disclosures should be aligned with the Australian Sustainable Finance Taxonomy to ensure consistency and comparability.

Furthermore, companies could consider disclosing their adaptation & resilience CapEx. Following the recent COP conclusions, the prominence of adaptation investment has increased among sustainability-conscious investors.

Endorsing the use of proxies and estimates

We also recommend that the use of estimates and proxies for disclosure purposes should be explicitly recognised and endorsed within the Guidance. Estimates and proxies can play an important role in ensuring completeness and comparability of sustainability disclosures, including transition plans. Where they are used by financial market participants, this should be clearly disclosed to ensure transparency.

Q7: Do you see a need for further sector-specific guidance?

Sectoral guidance can be useful to ensure that transition plans and their disclosures take sectoral differences in decarbonisation trajectories into account, while maintaining a high degree of comparability in disclosure elements across sectors. Investors need to compare transition readiness and progress across sectors to make informed capital allocation decisions. Without comparable metrics, it becomes difficult to assess relative performance, risk exposure, and alignment with net-zero pathways.

Clear sectoral guidance can encourage companies to include more decision-useful information on how differences in sectoral conditions, such as emissions-reduction policies and technology maturity, influences the feasibility of their transition plans. It may also encourage companies to measure and report on

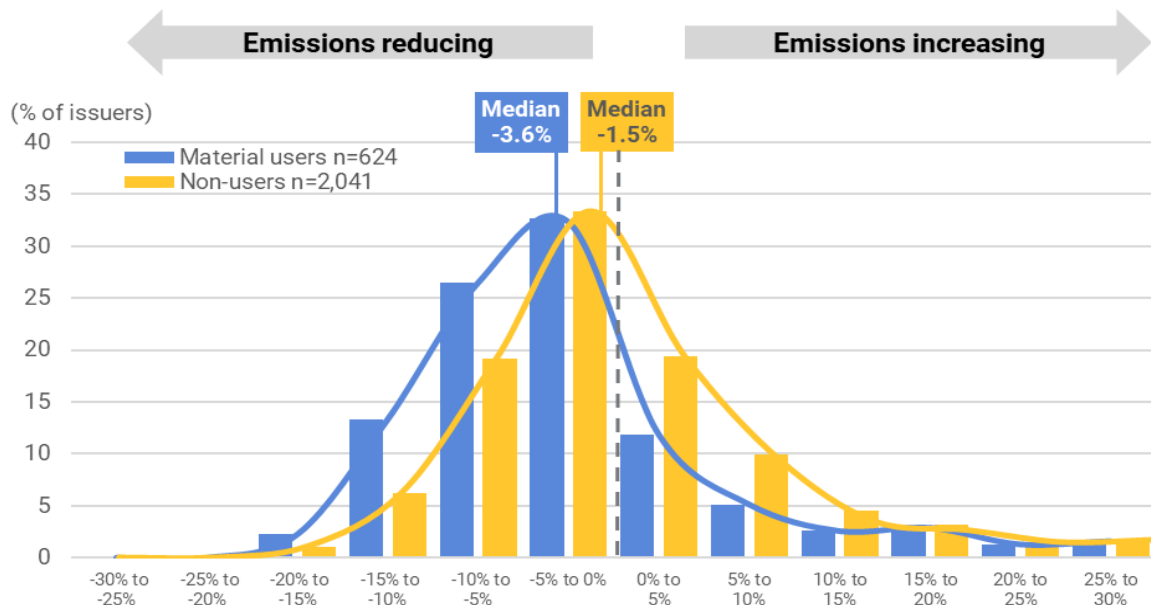
entity-level progress against sector benchmarks, such as the amount of low-carbon CapEx and revenue that are aligned with sectoral pathways.

Q9a: When providing feedback on the draft guidance, are there areas that could be improved to make the guidance more useful?

We support the inclusion of carbon credits usage in the Guidance and the proposed criteria for the inclusion of carbon credits within transition plans.

The use of carbon credits within companies’ transition plans can complement internal decarbonisation (by attaching a cost to their unabated emissions) as well as support low-carbon transitions globally. Carbon credit users generally show stronger transition performance overall, reflecting actions that extend beyond credit use. MSCI found that companies using credits perform better on a range of transition-related metrics than those that do not use them.⁷ Users of carbon credits have reduced their absolute Scope 1 and 2 emissions and emissions intensity more than twice as fast as non-users over the last five years. Material carbon credit users were found to be more likely to have set a climate target and generated a greater share of revenue from low-carbon activities compared to non-users.

Exhibit 1: Distribution of annualized change in company-reported gross Scope 1 and 2 emissions for material credit users and non-users, 2017-2022



Data as of July 1, 2024. Only includes firms within the MSCI ACWI IMI that reported their Scope 1 and 2 emissions for every year between 2017 and 2022.

⁷ [Corporate Emissions Performance and the Use of Carbon Credit](#) (MSCI, 2024)

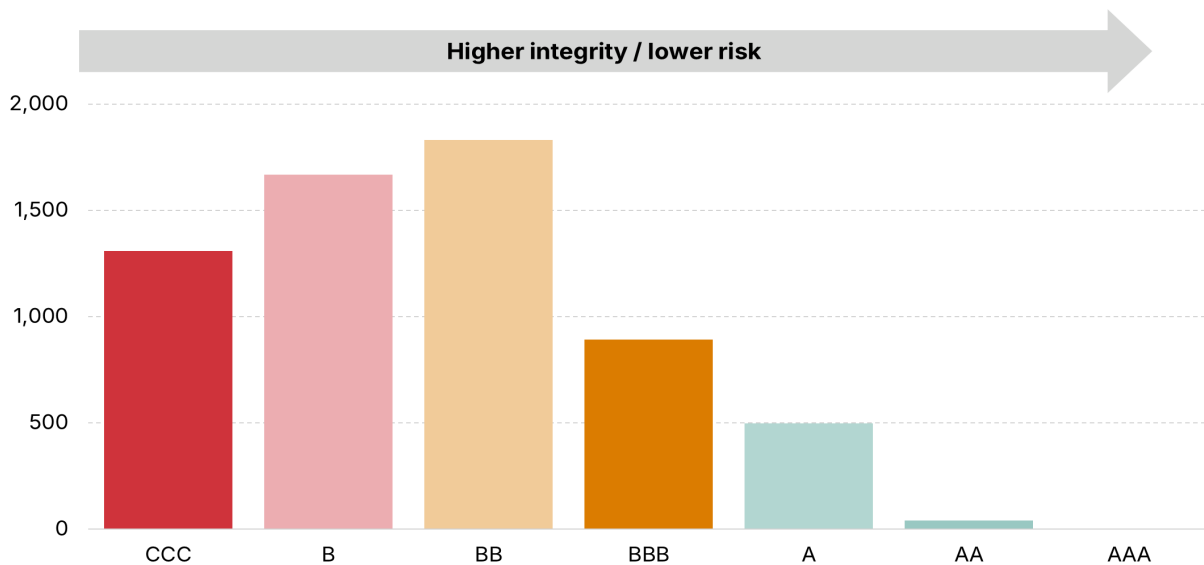
To assess whether companies that use credits do so as part of a comprehensive and credible transition plan, the following should be considered, in addition to the criteria already set in the proposed Guidance:

- Clearly defining the role of credits within their decarbonization strategies,
- Specifying which emissions credits are used to compensate,
- Linking carbon credit use to specific years within a transition pathway,
- Developing governance of credit procurement that prioritises credit integrity.

The market would also benefit from additional guidance on how carbon credit quality should be assessed. One such guidance is the Integrity Council for the Voluntary Market’s (ICVCM) Core Carbon Principles (CCP), which provide a standardised benchmark for carbon credit quality. However, relatively few existing credits in the market meet its criteria. Currently only about 50Mt of credits have been labelled as CCP-approved, representing less than 5% of those currently available for purchase.⁸ For context, about 180Mt of credits were retired in 2024.

Therefore, there is a clear role for carbon credit ratings agencies (CCRAs) to provide assessments of the quality of individual carbon projects. Even where credits are sourced from a CCP-eligible registry and CCP-approved credit categories, project level quality concerns could still exist. There is significant variation in quality between projects (see Exhibit 2 below). Projects with CCP labels show a range of values in MSCI’s Carbon Project Ratings: from B to A, with the average closer to BBB.⁹

Exhibit 2: Number of registered projects by MSCI Carbon Project Rating



Data as of July 2025.

⁸ Based on MSCI data and analysis from September 2025.

⁹ [MSCI Carbon Project Ratings](#)

Q9d: Are you aware of other relevant material that should be included in Appendix A and why?

We welcome the list of relevant climate-related transition planning materials in the Annex to the proposed Guidance. We recommend including the following solutions, in addition to those currently listed:

- **Implied Temperature Rise:** MSCI has developed the Implied Temperature Rise (ITR) model¹⁰ for assessing corporate ambition and track real progress in decarbonisation. ITR measures temperature alignment of the corporate climate targets and ‘realised emissions’ over the 2020-2050 horizon. MSCI plans to include more transition plan elements into the tool in future (in addition to SBTi validation, inclusion of short-/near-term targets to support a long-term target, track-record and progress on achieving targets), so that projected company emissions can be adjusted in a finer manner.
- **Energy Transition Framework:** MSCI has also developed Energy Transition Framework scores,¹¹ which include a number of transition plan dimensions (e.g., climate-related executive pay) as well as elements allowing investors to evaluate companies from a transition risk perspective, i.e., the exposure of companies to potential financial losses depending on the sectoral and regional footprint. While ITR focuses on achieving emissions reduction in line with a certain temperature rise scenario (typically 1.5°C), Energy Transition Framework provides a more thorough insight into the transition-related risks for companies in question.

Both tools have already proven useful amongst investors within the context of verifying corporate climate ambitions and tracking their progress.

¹⁰ [Implied Temperature Rise - MSCI](#)

¹¹ [MSCI Energy Transition Framework](#)