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AASB sheds more light on climate-related transition

The Australian Accounting Standards Board (AASB) has released a new guidance document to support how entities should disclose their climate-related transition under AASB S2. The guidance builds on the disclosure-specific material developed by the Transition Plan Taskforce and is intended to improve the consistency and comparability of transition-related disclosures. The document is not intended to provide guidance on how to develop a transition plan.

Why does it matter?

As many Australian entities prepare for their first round of mandatory climate-related disclosures, the guidance document offers timely support on what is required for disclosure. It helps entities identify and disclose relevant transition-related content across governance, strategy, metrics and targets and is particularly useful for those with established climate targets, transition strategies or transition plans.

The guidance also clarifies that while AASB S2 does not require entities to have or publish a formal transition plan, it does require them to disclose how they are managing and planning for climate-related risks and opportunities. This may require disclosure of transition planning activities even where no formal plan exists.

Investors seek real-world decarbonisation outcomes

How are investors responding to climate risks and opportunities? This question is explored in the IGCC State of Net Zero 2026 report, released by the Investor Group on Climate Change (IGCC). The report shows that while investor commitment to net-zero remains strong, capital deployment is being slowed by policy uncertainty and a shortage of investable climate-aligned opportunities.

Based on a survey of 55 institutional investors collectively managing AUD 3.5 trillion of assets under management, the report indicates that investors are increasingly focused on how decarbonisation commitments will be delivered, with greater emphasis on credible transition strategies, implementation and measurable outcomes. While investor appetite for lower emissions energy opportunities continues to grow, particularly energy storage, renewable energy generation and transmission infrastructure, institutional investors are also increasingly focused on decarbonisation outcomes that can be clearly demonstrated.

The report calls for policy commitments to be matched by implementation and concrete programs that help deploy capital at speed and scale.

Why does it matter?

The report shows market expectations around decarbonisation are shifting from ambition to implementation. While target-setting remains important, investors are increasingly focused on how transition commitments will be financed, implemented and translated into measurable outcomes.

Australia's climate transition requires substantial capital deployment. Analysis from Boston Consulting

Group shows that achieving the country’s 2035 target requires investment of up to AUD 630 billion over the next decade. The challenge is ensuring there is a pipeline of investment-ready opportunities supported by stable policy settings. Removing policy and institutional barriers could help unlock the capital needed to fund the transition.

GHG Protocol sets standard for land-based emissions

The GHG Protocol is seeking to address a long-standing gap in climate accounting with the release of the Land Sector and Removals (LSR) Standardand accompanying Guidance. The framework provides companies with a common approach for land emissions and CO_2 removals accounting, including emerging technologies such as direct air capture and CO_2 capture with geologic storage. It aims to support companies in tracking progress against climate targets with greater consistency, transparency and confidence.

The first version, which comes into effect from 1 January 2027, applies to agriculture and CO_2 removal technologies. Forestry is not included in the current version, with stakeholder input being sought on how forest carbon accounting may feature in future updates.

Why does it matter?

Emissions from agriculture and land-use change account for approximately a quarter of global GHG emissions, but companies have historically lacked a consistent and credible way to quantify, report and track these impacts. The LSR Standard seeks to address this gap by providing a common framework.

The LSR Standard provides a useful framework for companies with land sector activities in their operations or value chains, such as producing, processing, buying or selling agricultural products. It enables them to account for land emissions using methods aligned with the traceability and data available across their supply chains. It also provides clarity and safeguards for those seeking to report on CO_2 removals from land management activities and emerging CO_2 removal technologies.

New hydrogen hub for the Hunter Valley

In a major step toward the decarbonisation of one of Australia’s largest industrial ammonia facilities, Orica has reached a Final Investment Decision (FID) to proceed with its Hunter Valley Hydrogen Hub (HVHH).

A commercial-scale renewable hydrogen facility integrated with Orica’s manufacturing operations at Kooragang Island in NSW, the project will use renewable electricity and recycled water to produce renewable hydrogen, which will progressively reduce the natural gas used in its ammonia production.

The HVHH will deploy 50MW of electrolyser capacity to produce about 4,700 tonnes of hydrogen a year. This is enough hydrogen to generate close to 26,600 tonnes of low-carbon ammonia per annum, as the renewable fuel will reduce Orica’s natural chemical feedstock demand by about 7.5 per cent.

Once in production, the HVHH will receive AUD 432 million in credits delivered over 10 years under the Federal Government’s Hydrogen Headstart Program, to bridge the commercial gap between renewable hydrogen production costs and market prices. It is also supported by AUD 70 million from the Commonwealth Hunter Hydrogen Hub Implementation Initiative and AUD 45 million from the NSW Hydrogen Hub Initiative.

Construction of the HVHH is scheduled to kick off this year, with first production targeted for early 2029.

Why does it matter?

Orica’s HVHH marks a significant milestone, as the first project to reach an FID under the Hydrogen Headstart program.

A practical case study for integrating renewable hydrogen into existing hard-to-abate industrial sectors, it reflects growing momentum in hydrogen projects targeting sectors such as ammonia production, where low-emissions alternatives are limited.

While the project highlights opportunities for scaling renewable hydrogen, it also points to some of the challenges, with commercial viability continuing to depend on a combination of public funding, policy support and industrial demand.

World-first carbon refinery kicks off

In a development adjacent to Orica’s Kooragang Island ammonia production site, the world's first fully-integrated, multi-purpose carbon refinery is now converting carbon dioxide from industrial production into materials used in industries including construction, manufacturing and agriculture.

Developed by clean technology company MCi Carbon (MCi), the Myrtle plant captures CO_2 from Orica's ammonia production at Kooragang Island and uses mineral carbonation to combine it with natural and industrial minerals. The resulting carbon-embodied materials are used in products such as concrete, plasterboard, paint, paper, glass and adhesives.

The demonstration facility aims to process approximately 2,500 tonnes of CO_2 per year and produce up to 10,000 tonnes of saleable materials. This equates to several tonnes of product generated for every tonne of CO_2 processed.

Why does it matter?

According to MCi Carbon, mineral carbonation could permanently trap up to 10 per cent of global emissions by embedding carbon in minerals used to make everyday building materials, rather than storing it underground.

With heavy industry accounting for more than 30 per cent of global emissions, the demonstration plant shows how emissions from hard-to-abate sectors like ammonia production can be transformed into valuable products, supporting a more circular, low-carbon economy.

The project may also signal growing investment potential in mineral carbonation. If successfully scaled, the technology could be applied across other emission-intensive industries such as cement, steel and other chemicals.

New natural capital platform for Tasmania

Degraded farmland in Tasmania looks set for a sustainable transformation through the launch of an AUD 142 million afforestation and natural capital platform called the Tasmania Natural Asset Trust.

Backed by the Clean Energy Finance Corporation (CEFC) and other global investors, the platform’s flagship asset is Rushy Lagoon, a 21,745ha property in northern Tasmania and home to a new sustainable forestry plantation model. The model combines commercial softwood plantations with large-scale conservation, ecological restoration and sustainable grazing.

Along with supporting sustainable timber production, the project is expected to produce approximately 5 million tonnes of timber and 3.2 million Australian Carbon Credit Units (ACCUs). The Radiata Pine trees grown on the site are expected to be processed locally by Tasmania-based sawmills, helping alleviate the state’s wood supply pressures while helping divert harvest away from native forests. The project is also expected to support regional economic activity through investments and the creation of more than 190 jobs.

Why does it matter?

The Tasmania Natural Asset Trust highlights growing investor interest in natural capital and land-based climate solutions as an emerging asset class. By combining commercial forestry with conservation, ecological restoration and carbon credit generation, the project demonstrates how natural capital investments can support positive environmental outcomes, regional economic development and commercial returns.

Rushy Lagoon includes ecologically significant wetlands and threatened species, and the project design will include protective buffers and hydrology safeguards to help maintain its ecological character.

Mandatory climate reporting: Things your accountant is not telling you

To help clients navigate Australia's new mandatory climate reporting requirements under AASB S2, Westpac recently hosted a webcast featuring insights from sustainability consultancy ERM and practical learnings from its own reporting journey. Read a wrap of the event here.

Sustainable Finance Market Update Q2 2026

Catch up on recent market news and insights across the international and domestic sustainable finance landscape in Westpac IQ’s recap of Q2 2026, available here.

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recommend that you seek your own independent legal or financial advice before proceeding with any investment decision.

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