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Australian Government

Department of Climate Change, Energy, the Environment and Water

**Submitted via email: [climate.science@dcceew.gov.au](mailto:climate.science@dcceew.gov.au)**

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## **National Climate Scenario Guidance**

AGL Energy (**AGL**) welcomes the opportunity to provide feedback to the Department of Climate Change, Energy, the Environment and Water (**DCCEEW**)'s draft National Climate Scenario Guidance (**the Guidance**).

At AGL, we take our decarbonisation responsibilities seriously and recognise the significant role we can play in helping Australia reach its climate commitments. AGL's second Climate Transition Action Plan (2025 CTAP), published in August 2025, builds on commitments previously made in our 2022 CTAP, by charting a pathway to achieving our ambition of being net zero for Scope 1, 2 and 3 emissions by 2050, and setting additional commitments relating to emission reductions, our portfolio rebuild and other initiatives. Key commitments in our 2025 CTAP include our targeted exit from coal-fired generation by the end of FY35 and an ambition to add 12 GW of new renewable and firming capacity by the end of 2035.

AGL has significant experience relating to climate-related disclosures in Australia and has sought to play a leading role in the way businesses engage on the critical issue of climate change. We recognise the critical role that climate-related risks and opportunities play in today's business landscape, and have been a proud leader in corporate climate disclosures, being an early adopter of the Taskforce on Climate-related Financial Disclosures (TCFD) framework.

We strongly support the intent of the Guidance and DCCEEW's efforts to assist businesses in understanding, modelling and reporting climate-related physical risks. While AGL and other large organisations already have established climate disclosure processes, many smaller enterprises are in the early stages of understanding climate reporting and scenario analysis. We therefore view the Guidance being particularly useful for small to medium sized organisations, providing a starting point to guide their journey to more comprehensive climate-related reporting and analysis in the future.

While we are supportive of the Guidance, we have some concerns regarding inconsistent recommendations and explanations in the document and the potential implications of this. To enhance alignment with established standards and ensure the Guidance delivers maximum value to stakeholders, we have outlined key considerations and recommendations below to promote consistency and effective application.

### **Clarity around the purpose of the Guidance**

While we understand the intent is to focus on physical risk rather than transition risk, the rationale for this approach is unclear, and care should be taken to ensure users of the Guidance do not interpret recommendations as relating to broader climate risk/resilience assessments.

We recommend that the department clarify the purpose of the Guidance to ensure alignment with broader disclosure frameworks and stakeholder needs. To avoid ambiguity, the purpose and scope should be clearly articulated in dedicated sections. Providing this clarity will enhance consistency, improve usability, and ensure stakeholders can apply the Guidance as intended.



## **Ensure consistency with best practice standards and guidance**

We acknowledge that the Guidance recommends selecting emission pathways based on their likelihood under current policy settings. Furthermore, as stated in the Guidance, the highest (RCP8.5) and lowest (RCP1.9) emissions pathways are 'not recommended' on the basis that they are considered unlikely under existing policies. However, we consider this approach to be limiting and inconsistent with other frameworks and guidance, such as AASB's mandatory climate reporting standards, around the purpose of scenario analysis being to test diverse futures, including by varying assumptions around policy settings. Policy settings are dynamic and subject to change, influenced by external factors such as geopolitical developments. Excluding these pathways may therefore reduce the robustness of scenario analysis.

We acknowledge that, for physical risk assessment, the lowest emissions pathway may not have been recommended in the Guidance on the basis that it is less useful for stress testing purposes. If this is the case, and this recommendation is to be retained in the Guidance, it should be explicitly limited to physical risk assessment to avoid it being interpreted as general guidance for scenario analysis.

Further, we believe the Guidance provides an interpretation of a 1.5°C scenario that does not align with industry practice. The Guidance suggests that SSP1-2.6 (RCP2.6) is aligned with a 1.5 degrees scenario, however, as shown in Appendix A of the Guidance, a temperature outcome of 1.5 degrees is on the low end of the SSP1-2.6 temperature outcome range rather than representing the median. This differs from AEMO's<sup>1</sup> and industry's approach, where RCP1.9 is generally used to reflect a 1.5°C scenario consistent with the Paris Agreement's most ambitious target to which organisations globally must aspire. Many organisations, including AGL, use RCP1.9 for stress-testing climate transition risk in line with best practice.

To strengthen the robustness and credibility of the Guidance, we recommend that DCCEE align with the AASB to ensure consistency with mandatory AASB standards. In addition, we urge DCCEE to clarify the interpretation of 1.5°C scenarios by adopting RCP1.9 as the benchmark for the Paris Agreement's most ambitious target, consistent with industry and international practice.

## **Consider intersection with other frameworks**

In addition to mandatory AASB standards, it is essential that consideration is given to how the Guidance intersects with other existing or emerging frameworks and guidance.

It's important that DCCEE work with other departments and organisations, such as AASB, ASIC and Treasury, to ensure clear delineation between the Guidance and other frameworks, such as the [Climate-related Transition Planning Guidance](#), and to support alignment and consistency for the final guidance. Potential overlaps with disclosure requirements under frameworks such as the Security of Critical Infrastructure (SOICI) Act should be assessed to ensure consistency and avoid conflicting obligations.

## **Sector-specific guidance would be beneficial**

The availability of consistent, independent, robust Australian and sector specific decarbonisation scenarios is a significant gap. While we understand that the Guidance does not intend to capture detailed sector specific guidance, advice on approaches to scenario analysis and modelling of sector-wide temperature warming pathways would be particularly useful. There is lack of uniformity in approaches across organisations and so guidance on how to align with national emission reduction plans, to reach Australia's climate goals, would help provide consistency across the economy.

Should you have any questions in relation to this submission, please contact Casey Barkla-Jones at [cbarkla@agl.com.au](mailto:cbarkla@agl.com.au).

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<sup>1</sup> Refer to [2025 Inputs, Assumptions and Scenarios Report, Aug 2025](#). Step Change uses RCP2.6 scenario, Accelerated Transition used RCP1.9 scenario.



Yours sincerely,

**AGL Energy**

### **About AGL**

At AGL, we believe energy makes life better and are passionate about powering Australian life. Proudly Australian since 1837, AGL delivers around 4.6 million<sup>2</sup> gas, electricity, and telecommunications services to our residential, small and large business, and wholesale customers across Australia. AGL operates Australia's largest private electricity generation portfolio within the National Electricity Market, comprising coal and gas-fired generation, renewable energy sources such as wind and hydro, and batteries and other firming and storage technology. We are building on our history as one of Australia's leading private investors in renewable energy to be a leader in the transition to a lower emissions and smart energy future in line with the goals of our Climate Transition Action Plan. We'll continue to innovate in energy and other services to enhance the way Australians live, move and work.

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<sup>2</sup> Refer to AGL's [ESG Data Centre FY25](#)