Actuaries Institute.

18 December 2025

Submitted via DCCEEW survey portal

Dear Sir/Madam

Consultation: Draft National Climate Scenario Guidance

The Actuaries Institute ('the Institute') welcomes the opportunity to provide feedback on the Department of Climate Change, Energy, the Environment and Water's Draft National Climate Scenario Guidance.

The Institute is the peak professional body for actuaries in Australia. Our members work in a wide range of fields including insurance, superannuation, investments and retirement incomes, banking, enterprise risk management, data science and AI, climate change impacts and government services. The Institute has a longstanding commitment to contribute to public policy discussion where our members have relevant expertise. The comments made in this submission are guided by the Institute's 'Public Policy Principles' that any policy measures or changes should promote public wellbeing, consider potential impacts on equity, be evidenced-based and support effectively regulated systems.

Part 1: Foundations

Q1. Is the foundational information on climate scenario analysis understandable and useful to you? Please provide feedback on how we can make the foundational information more understandable and useful

No. The Institute is highly supportive of the foundational information on *climate physical risk analysis* presented in Part 1 of the guidelines – it is a helpful introduction to key concepts underpinning climate physical risk. However, page 6 states that one purpose of this guidance is "*to ensure governments, businesses and engineers have the information they need to support comparable and consistent climate-related disclosure reporting*". We believe there are gaps and inconsistencies in the guidance against this aim.

- First, organisations required to undertake scenario analysis under AASB S2, and some Commonwealth entities reporting under Commonwealth Climate Disclosure Requirements, must consider *climate-related transition risks*[1] in addition to climate-related physical risk. Considering climate-related transition risks is a foundational, mandatory part of climate scenario analysis conducted to support climate-related disclosures. In particular, for entities meeting AASB S2 requirements, one of the two scenarios required under the Corporations Act is a 1.5 degree-aligned scenario, which ASIC Regulatory Guide 280 notes is intended to "*contemplate rapid global decarbonisation in the near term*" and could involve significant transition risk.

[1] See Para 3 of AASB S2

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While page 7 notes the draft guidance is focused on future physical climate risks, the Institute believes the very limited coverage of transition risks – and the resulting limitations of the guidance for users completing climate-related disclosures – should be highlighted earlier in the document. It should be clear to readers that they need to seek out additional information and further guidance to assist them to meet AASB S2 (or related) requirements.

- Second, Section 1.3 states *"to aid comparability with other analyses, we recommend using the same timeframes as National Climate Risk Assessment".* While the 2030, 2050, and 2090 NCRA-aligned timelines may be appropriate for some use cases, these are unlikely to be used by businesses for AASB S2 scenarios. AASB S2 paragraph 10(d) requires that reporting entities *"explain how the entity defines 'short term', 'medium term' and 'long term' and how these definitions are linked to the planning horizons used by the entity for strategic decision-making."* As a very rough guide, many corporate and government entities planning horizons define short-term to be 12 months, medium-term to be typically 3-5 years, and long-term to be 10-20 years. For example, Local Government Area Long-Term Financial Plans are typically 10 years. There is therefore inconsistency between the recommendation to use the same timeframes as the NCRA and AASB S2 guidance.

  A further complication is there is no legislative requirement or commitment for regular review cycles of the NCRA. Therefore within a few years, say mid-2028, the NCRA timelines will align with a 12-month short-term forward view (2030) and a roughly 20-year long-term forward view (2050) with nothing in between.

  The Institute suggests that to make this information more understandable and useful, this recommendation in Section 1.3 is dropped and explicit reference is made to AASB S2 paragraph 10(d) for users who are primarily concerned with climate scenario analysis for the purpose of climate-related disclosures. In addition, the authors of the guidance may wish to consider setting expectations around a review cycle for this document.

- Finally, Section 1.4 on conducting scenario analysis is useful, and could be made more practical by adding further detail on the translation of climate hazards into risks faced by an individual organisation (for example, by including a summary of the referenced 'Climate Risk and Opportunity Management Program').

Q2: Are there any key hazards, impacts, tools, or topics missing from the text, tables, or boxes in Part 1?

No.

Part 2: Developing your scenarios

Q1: Is the decision framework useful to you (section 2.3)?

Yes.

Q2: Are there any other key variables you would like to see in the tables provided in the climate metrics section (2.4.2)?

No.

Part 3: Australian climate projections datasets

Q1. Does Part 3 give you sufficient guidance on where to access reliable and appropriate climate data? Do you have suggestions to make Part 3 more useful?

Part 3 is expressed as if entities themselves will be using climate models. The Institute expects that many organisations conducting climate physical risk analysis will:

- Be using external vendors to either 1) perform the work entirely, or 2) provide key outputs
- May not have the capacity nor capability to compare RCM to GCM outputs, or consider multiple climate models.[2]

As such, the Institute believes that it would be helpful for Part 3 to also contain information about key considerations when placing reliance on external providers of climate models and outputs for scenario analysis. This could assist entities to better understand key uncertainties, limitations and risks associated with the models and datasets used by vendors.

Overall Guidance

Q1: Does the guidance give you enough information to do your own scenario analysis? What additional information is needed to enable you to do your own scenario analysis?

For organisations looking to comply with AASB S2 requirements, which mandate the consideration of transition risk and the use of scenario analysis to test operational resilience, more information would be needed, including on:

- Designing operationally-relevant scenarios
- How to translate physical risk information into impacts on an organisation's business model and value chain (and, further, to financially quantify this impact)
- Other considerations (such as transition risks, economic outcomes, etc.) to ensure scenario analysis is compliant with AASB S2.

The Institute appreciates that the creation of financially-focused, AASB S2 specific-guidance may be outside the Department's scope, and perhaps the stated purpose and intended uses of the guidance should be revised to reflect that.

Q2: What amendments could we make to the guidance to make it more useful?

In addition to the above comments, the Institute encourages the Department to consider pointing out that while there will be ongoing change in climate risk over the next 20 years, different decarbonisation pathways are unlikely to result in materially different weather or sea level outcomes over this time frame

[2] We have formed this observation from the fact that many large financial sector entities who are in some cases highly skilled at the use of quantitative models have taken this approach. Internationally there is also evidence many users are not directly interacting with climate models and rather with climate risk tools, as evidenced by the UN Environment Program's Annual Climate Risk Landscape report which notes a rapidly evolving and expanding set of climate risk tools is available.

(even though material differences are expected to occur over a longer time horizon). This will be important for many organisations, whose definition of 'long' term' (under AASB S2) will be 20 years or fewer, and therefore may not have materially different climate physical risk outcomes across scenarios.

The Institute would be pleased to discuss this submission. If you would like to do so, please contact us on (02) 9239 6100 or public_policy@actuaries.asn.au.

Yours sincerely

(Signed) Elayne Grace
CEO