

29 October 2024

By email: [climate@xrb.govt.nz](mailto:climate@xrb.govt.nz)

**Auckland Council Group's submission on the Proposed 2024 Amendments to the Climate and Assurance Standards**

Thank you for providing Auckland Council Group (the group) with the opportunity to provide feedback on the proposed 2024 amendments to:

- NZ CS 2 Adoption of Aotearoa New Zealand Climate Standards; and
- NZ SAE 1 Assurance Engagements over Greenhouse Gas Emissions Disclosures.

Our submission is attached in an appendix to this letter. We have provided our responses to the five questions set out in the consultation document, along with some additional comments. Our responses incorporate feedback from Auckland Council and its subsidiaries, Auckland Transport, Eke Panuku, Port of Auckland, Tātaki Auckland Unlimited and Watercare Services (collectively, group entities).

We hope our responses and comments help with your decision-making process. If you have any questions relating to our submission, please feel free to contact us.

Yours faithfully



John Bishop  
Group Treasurer  
[john.bishop@aucklandcouncil.govt.nz](mailto:john.bishop@aucklandcouncil.govt.nz)



Tracy Gers  
External Stakeholder Group Reporting Manager  
[tracy.gers@aucklandcouncil.govt.nz](mailto:tracy.gers@aucklandcouncil.govt.nz)

## Appendix 1

Question 1. Do you agree with Proposal 1 to extend Adoption Provisions 4, 5 and 7 for scope 3 GHG emissions disclosures from one accounting period to two accounting periods?

Yes, we support this proposal.

We elected to use adoption provision 4 of NZ CS 2 in our 2024 climate statement and we did not disclose our consolidated scope 3 GHG emissions.

However, all group entities have determined their standalone entity scope 3 GHG emissions for several years. These entity level scope 3 GHG emissions, some of which are assured by a third party, have been disclosed in our annual report since 2021. We disclosed these emissions in our 2024 climate statement noting that it did not form part of our response to the NZ climate standards. It was considered additional information that was provided for consistency with prior year reporting and for the benefit of our primary users. Considering this, we are already in a strong position with regards determining scope 3 GHG emissions on a standalone entity basis. With the continuing advances in the availability and reliability of the data, as well as the methods and assumptions used to calculate these emissions, the accuracy and completeness of each group entity's scope 3 GHG emissions reporting will continue to improve each year.

Despite the information on the entity scope 3 GHG emissions being available, the consolidation of the group's scope 3 GHG emissions is not a simple case of adding these entity emissions together. There are several reasons for this including differences in the methods, assumptions, and emissions factors used by each group entity, differences in the de minimis and materiality thresholds applied, and overlaps or gaps in the reporting of emissions sources. The consolidation of our group scope 3 GHG emissions requires us to develop a consolidation methodology, which ensures consistency in calculating and reporting of scope 3 GHG emissions across group entities. Amongst other things, our methodology needs to:

- set out the methods, assumptions and emissions factors to use to determine emissions from similar sources
- set out the approach to determine materiality and de minimis thresholds
- establish the policy for re-baselining
- determine the approach for dealing with gaps in emissions sources, and for overlaps in reporting of emissions sources between group entities to eliminate double counting.

The development of this consolidation methodology is a complex task, given the huge variety and volume of emissions sources to be considered, and the level of coordination required across various teams around the group. It will take some time and considerable

effort to complete. Therefore, regardless of the outcome of proposal 1, we will continue to develop our consolidation methodology and to determine the group's consolidated scope 3 GHG emissions over the next twelve months. However, an extension of adoption provisions 4, 5 and 7 gives us much needed time to finalise our consolidation methodology and supporting systems and controls.

Extending the adoption provisions will help to ensure that by the time we are required to disclose our consolidated scope 3 GHG emissions, we will have greater confidence in the accuracy, reliability and completeness of our disclosures.

## Question 2. Do you agree with Proposal 2 to add a new Adoption Provision 8 that gives relief of one accounting period before scope 3 GHG emissions assurance is mandatory?

Yes, we support this proposal.

Following our response to Question 1, we are likely to take advantage of an extension to adoption provision 4 and not disclose our consolidated scope 3 GHG emissions. However, if at the end of our next reporting year we were in a position to disclose them, the completion of an assurance engagement will be challenging for an assurance practitioner given the limited time available since:

- our consolidation methodology will be completely new to them and may take them some time to review, and
- they will not have any prior year data to inform their assurance approach.

Aside from these challenges, we concur with the XRB's observations that the assurance of scope 3 GHG emissions disclosures is difficult in any case. Therefore, delaying the date by which CREs are required to obtain assurance over their scope 3 GHG emissions will provide both reporting entities and assurance practitioners valuable time during which, as the XRB has identified, data and systems for capturing and reporting on scope 3 GHG emissions across the supply chain will undoubtedly improve. This should lead to advances in the accuracy and reliability of the information available and enable the assurance market to develop sufficient maturity.

Question 3. Do you agree that a one-year delay for scope 3 GHG emissions assurance is sufficient to enable systems to mature to support the availability of sufficient reliable data and to enable increased consistency across the assurance market?

Yes, we agree that a one-year delay is sufficient.

We agree with the XRB that this one-year delay will provide the time needed for systems and data to mature. We also agree that an increasing number of global entities across the value chain will likely be reporting on, and obtaining assurance over, scope 3 GHG emissions by this point.

We acknowledge the importance of disclosing the group's consolidated scope 3 GHG emissions, both for our own management of the group's climate-related risks and opportunities and for the benefit of our primary users to make decisions on how we are doing with this. We also acknowledge the importance that our primary users place on us obtaining assurance over information disclosed in our annual report. Therefore, the sooner we can provide our primary users with assurance over our consolidated scope 3 GHG emissions, the better.

As we explain in our response to Question 1, regardless of whether these proposals are implemented or not, we will continue with our work programme over the next twelve months to develop our consolidation methodology and to determine the group's consolidated scope 3 GHG emissions as we would have done anyway. Therefore, we feel that by the time we are required to make our scope 3 GHG emissions disclosures at the end of our third reporting year as a CRE, we will have sufficient confidence in the data that we use, and the internal systems and controls that are in place, to accurately report our scope 3 inventory, such that it will be a suitable time for us to obtain assurance over it. Further, we will engage with our assurance practitioner as we continue with our consolidation work programme over the next twelve months, to ensure that we *'take them on the journey with us'* and give them sufficient time to develop an understanding of our methodology, our systems, and what information will be available to them to complete their engagement at the end of our third reporting year. By working with them in this way, they should have the information and time they need to plan and perform their assurance engagement in a way which meets their requirements and provides value to us and our primary users.

Whether, when it comes to it, the assurance market will consider assurance engagements over scope 3 GHG emissions can be completed effectively remains to be seen. This is something that the assurance market has a responsibility to address, alongside CREs. We acknowledge, as the XRB highlights, that despite the expected improvements in data reliability, and availability of evidence on systems and controls in these areas, that emphasis of matter paragraphs or modified assurance conclusions may persist for some time. Users of climate statements will need to be educated to understand why this is the case. This will ensure that they are still able to interpret and use the information on scope 3 GHG emissions appropriately.

## Question 4. Do you agree with Proposal 3 to extend Adoption Provision 2 for anticipated financial impacts from one accounting period to two accounting periods?

Yes, we support this proposal.

We elected to use adoption provision 2 of NZ CS 2 in our 2024 climate statement. We did not disclose our anticipated financial impacts of climate-related risks and opportunities, as these have not yet been determined.

We have completed a significant amount of work to determine impact pathways of what, at the time, were considered our most critical group risks. These impact pathways were designed to be the first step in our journey of understanding how climate-related risks could potentially impact the group. The pathways show the anticipated financial impacts on a qualitative basis (i.e. relative magnitude) and were designed to help us develop a calculation methodology to determine these financial impacts on a quantitative basis for disclosure.

Anticipated financial impacts are, by their nature, very uncertain. Consequently, given the lack of comprehensive guidance, or market precedent, around the disclosure of these impacts, we remain uncertain, and to some extent concerned, around the level of detail that we should disclose in this area. On one hand we acknowledge the merit of attempting to provide specific estimates of the impacts, based off more detailed modelling projections, as these provide users with granular information with which to make decisions. However, on the other hand, we also see the value in continuing to provide disclosures containing more broader descriptions around the potential range and relative magnitude of the financial impacts, as this approach better highlights the level of uncertainty around the quantification of them. We don't yet know how our primary users will use the information we disclose on anticipated financial impacts. Given, at least in the early years, our primary users may not have a complete understanding of the uncertainty which encompasses these disclosures, we remain wary of the potential impact the information could have on decisions our primary users make, actions they take, and on the market in general.

We agree with the XRB's rationale that the additional time will enable us to better understand the needs of our primary users and, with this knowledge, give us the ability to develop suitable methodologies to quantify our anticipated financial impacts at an appropriate level of granularity. We also look forward to reading the XRB's future guidance on these anticipated financial impacts disclosures which will further inform how we decide to approach the quantification exercise.

The methodology that we adopt at the group level can then be used by each group entity to determine the anticipated financial impacts at an entity level. This is something which, in the absence of any group policy, group entities have been unable to do, given the risk of providing our primary users with a potentially conflicting mix of information.

## Question 5. Do you agree with Proposal 4 to extend Adoption Provision 3 for transition planning from one accounting period to two accounting periods?

Yes, we support this proposal.

We elected to use adoption provision 3 of NZ CS 2 in our 2024 climate statement and we did not disclose the transition plan aspects of our strategy. We explained that we are in the early stages of developing a group transition plan and that we intend to develop a first version of it by mid-2025. The group transition plan will then be available to inform the development of the group's Long-Term Plan 2027-2037.

We have made progress developing entity-level transition plans, however, the development of our group transition plan is a complex task. It involves input from across the group and consideration of the various plans and strategies in place and which guide our strategic direction.

Given the complexity of the task, regardless of whether the XRB decides to go ahead with implementing proposal 4, we will continue our work to develop a group transition plan. However, we will benefit from the additional time that this proposal provides to develop a sufficiently compelling transition plan which fully embeds the group's climate-related risks and opportunities. We feel that delaying disclosure of this plan for an additional year will ensure that the information we provide to our primary users will be of greater benefit. If we are required to disclose details of the transition plan in our next reporting year, it may not be at a level that provides valuable insights.

We understand that the XRB plans to issue more guidance on this topic. The proposed extension to adoption provision 4 will enable us to properly consider and incorporate, as necessary, this future guidance into our transition planning.

### Other comments on proposals

We would like to emphasise the need for CREs to have confirmation as soon as possible over any extension to the NZ climate standards disclosure timeframes. While we support these proposals, to the extent that the proposals are implemented, we do not support ongoing extensions. We accept that the information disclosed under the NZ climate standards is likely to continue to change over time, and that the market will take time to develop capability to interpret and use the information effectively. However, we cannot continue delaying disclosure this information, even if it lacks the level of maturity of other financial disclosures. We need to start somewhere. Mandatory disclosure will encourage all CREs to develop the knowledge and capability to do so.

To encourage more meaningful action, the setting of realistic but ambitious targets, and early, informed disclosure across all areas of the NZ climate standards, we would advocate for the XRB to work with other organisations to introduce climate-related disclosure awards programmes, leadership tables or other form of recognition. We feel that highlighting and honouring the efforts of organisations would encourage continual improvement and

incentivise other CREs to do the same. Ultimately, meaningful change from a climate perspective can only be achieved by collective action from all market participants.