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Driving ESG: The Australian Perspective

ESG is a prominent feature in the Australian landscape and of increasing significance for government, business and the broader community. Corporate players are being driven by the demands of their investors, financiers and customers, as well as by government policy and regulation. At the same time, ESG considerations are affording corporates a range of market opportunities along with avenues for government incentives and support.

Environmental issues – resource sustainability, decarbonisation and waste – continue to attract the greatest attention and generate the most progress. At a government level, it has been State and Territory governments, rather than the federal government, playing the most active role in driving environmental objectives and supporting the roll out of renewable energy in order to meet emissions targets and commitments. Significant financial support has been and continues to be provided at the government level for renewable energy in Australia. This has taken various forms, including power purchase agreements, direct investment in projects and the augmentation of the electricity grid. Corporates rather than government have, however, taken the lead on what has been termed the ‘ecological transformation’ and have tended to be the driving force in this space.

Social considerations such as housing affordability and the delivery of greater community benefits from major infrastructure developments (for example, education and health as part of integrated transport precincts) are becoming more prominent, but face financing challenges. This is because projects involving social outcomes can be more difficult to value and generate a return. For this reason, they rely more heavily on government support – whether in the form of a capital contribution or operating subsidy, the grant of land or other financial support – and have, therefore, faced greater challenges in leveraging market participation.

The Australian market is not unique in regards to the ESG focus and, in many respects, government policy has lagged other jurisdictions in the environmental space and particularly in regards to emissions targets and climate change risk reporting. There are, nonetheless, some distinguishing features that have perhaps helped to shape ESG in Australia. These include the country’s resources wealth – both renewables (sun / wind) and fossil fuels – and the opportunities – and perceived responsibilities – these afford in the ‘E’ space. The market has also seen significant climate change litigation, some of which has been quite novel from a legal perspective and which has no doubt reinforced market sentiment away from the financing (even insurance) of coal and gas projects.

There is no shortage of private sector funding available for good projects which deliver ESG outcomes, along with the necessary investment return. Given the developing trend towards more policy support and the level of community – and investment – interest in infrastructure and projects that deliver ESG outcomes, it would appear that the drive in this direction will only continue.

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David is a projects lawyer who specialises in the development and operation of projects in the transport, energy, utilities, mining, hospitality and entertainment, waste and infrastructure sectors for both owners and contractors. He has major project experience internationally and in-house, having undertaken long-term secondments in the energy, mining and transport sectors.

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