

1 December 2023

Sustainable Finance Unit
Climate and Energy Division
Treasury
Langton Cres
Parkes ACT 2600



By email only: sustainablefinanceconsultation@treasury.gov.au

Australian Payments Network (AusPayNet) welcomes the opportunity to respond to Treasury's consultation on Australia's Sustainable Finance Strategy.¹

AusPayNet is the industry association and self-regulatory body for the Australian payments industry. We manage and develop standards and guidelines governing payments in Australia. Our purpose is to create confidence in payments by: setting enforceable industry standards for a safe, reliable and effective payments system; leading transformation in payments to drive efficiency, innovation and choice; and being the home for ecosystem collaboration and strategic insight. AusPayNet currently has more than 150 members including financial institutions, payment system operators, major retailers and financial technology companies.

Earlier this year, the Intergovernmental Panel on Climate Change noted that "the pace and scale of what has been done so far, and current plans, are insufficient to tackle climate change... The choices made in the next few years will play a critical role in deciding our future and that of generations to come."² AusPayNet therefore welcomes the Government's work on putting in place appropriate strategies and policies to help address the growing climate challenge, and ensuring that climate and sustainability-related opportunities and risks are well understood and managed at both the entity and systemic level.

As noted in the consultation paper, Australia's transition to net zero will require a significant amount of private and public investment and effort. We note that every industry, business and individual has an important role to play in delivering on this commitment. Recognising this, AusPayNet is currently working with our members to better understand the environmental impact of the Australian payments ecosystem, and determine whether there are any opportunities for the industry to work together to address this impact and support Australia's transition to net zero. Through our early research, we have identified two key potential opportunities.

The first is driving greater sustainability in the payments value chain. Suppliers of physical payments technology, for example, could play an important role in reducing the broader industry's environmental footprint through the design and development of more eco-friendly devices. The rapid uptake of mobile payments in Australia could prompt issuers to consider whether physical cards

¹ The views expressed in this submission are those of AusPayNet Management, and may not necessarily represent the views of our members.

² IPCC (2023), [Urgent climate action can secure a liveable future for all](#), 20 March.

should be made available by default. The use of recycled, recyclable or bio-sourced materials by card issuers could also make a significant difference. Individual payment service providers (PSPs) could also take actions to reduce the environmental footprint of their own operations. It has been encouraging to see a growing number of PSPs undertaking such initiatives in recent years. The research work being undertaken by AusPayNet will seek to identify the initiatives that could provide the greatest environmental benefit, to help ensure that the industry's sustainability-related efforts and resources are allocated effectively.

The second opportunity – which could play a key role in supporting the Sustainable Finance Strategy – arises from the critical role of payments in the global economy. This gives PSPs a unique opportunity to drive sustainability not just throughout the payments value chain but also across the economy and society more broadly. As noted earlier, reaching national and global sustainability targets will require a collaborative effort across all governments, businesses and individuals. Evidence shows a growing number of people willing to take personal action to address environmental challenges. However, most consumers and businesses do not have the knowledge or resources to understand and address their environmental footprints.

This is where the payments industry could play an important role, since much of the economic activity of individual consumers and businesses can be captured through digital transaction data. By integrating a measure of the environmental impact generated by the activity underlying a payment (such as carbon emissions and resource use), it would be possible to provide consumers and businesses with a near-real-time view of the environmental impact of their consumption habits and operations. This, in turn, could help them make more informed decisions and adopt more sustainable practices.³

The potential impact of such information is significant. Across the OECD countries, SMEs account for at least 50% of the business sector's greenhouse gas emissions. However, only around 10% of these SMEs measure their carbon footprint.⁴ PSPs can help address this gap by integrating sustainability metrics into their payment platforms, enabling merchants to track their carbon emissions and identify areas for improvement.

Integrating sustainability metrics into digital transaction data could also generate macro-level insights that enable better policy interventions. For example, such data could help identify the most effective initiatives across different sectors and activities, or contribute to market-wide understanding of systemic sustainability-related risks.

By developing such tools, the payments industry could potentially support several of the proposed priorities under the Sustainable Finance Strategy. These include:

- establishing a framework for sustainability-related financial disclosure (Priority 1), and in particular supporting businesses in developing the required skills, resources and capabilities to make climate disclosures under the proposed new obligations;
- identifying and responding to potential systemic financial risks (Priority 6); and

³ Examples of such tools are already available. For example, Mastercard recently collaborated with Swedish fintech Doconomy to develop a carbon calculator that can show consumers the carbon footprint of each transaction. The tool can be used to provide consumers with advice on reducing their environmental impact, and enables customers to offset the carbon footprint of their transactions at the point of sale.

⁴ OECD (2023), [Sustainable SMEs](#), 15 February.

- addressing data and analytical challenges (Priority 7) by improving the availability and quality of sustainability-related data and analytical tools.

We would welcome the opportunity to continue engaging with the Government and relevant regulators on the Sustainable Finance Strategy, and particularly ways in which the payments industry could support the Strategy and Australia's transition to net zero more broadly. We will also share with Treasury any further insights from our ongoing work on sustainability in the Australia payments ecosystem over the coming year.

Please contact Kateryna Occhiutto, Head of Policy & Insights [REDACTED] if you have any further questions on this matter.

Yours sincerely,



Andy White
Chief Executive Officer
Australian Payments Network