# A Helping Hand for Treasurer Chalmers' proposed Taxonomy

In his recent Monthly Essay, Treasurer Jim Chalmers stated:
"we will create a new sustainable finance architecture, including a new taxonomy to label the climate impact of different investments. That will help investors align their choices with climate targets, help businesses who want to support the transition get finance more easily, and ensure regulators can stamp out greenwashing. This strategy begins with climate finance, but over time I see it expanding to incorporate nature-related risks and biodiversity goals".

To assist the Treasurer in this process we offer the following (slightly tongue in cheek) suggestions, sometimes going beyond the climate risk focus to address the two additional goals stated.

**Guilt-Edged Securities:** All securities that are not aligned with the government's climate agenda. These are to be traded on Under-the-Counter Markets. Authorized dealers on these markets to be required to wear dirty white raincoats whenever conducting trades.

**Donor Promissory Notes**: A form of stapled security to be stapled to the receipts for significant donations to major political parties. The promise is hot air additional to that from global warming. Attractive to short sellers wanting to hedge against increases in temperature.

**Mezzanine Finance**: A category of investment that offers an element of protection against the risks of flooding caused by severe rainfall events and rising sea levels. A handy alternative to floating-rate securities.

**WINDUP Bonds**; thought by many unsophisticated investors to be providing financing for, and returns from, operations of wind turbines, but actually designed to avoid any liability of the issuer upon the failure and wind-up of the operating entity. Also known as Kamikaze bonds, after the Japanese term for "Divine Wind".

**GAPs:** Good Advice Providers who leave gaping holes between their advice and that which would be in the best interests of their clients.

**BNNPL:** Buy Now Never Pay Later vehicles, a once off chance for negligible net worth (NNW) people to make a little purchase with no interest charged and no principal repayment required. Only those holding equity in the providers stand to lose.

**SOLAR Securities**: Source of Life and Riches securities. To be issued by triple D rated solar panel operators supposedly to finance their businesses, with the promised riches accruing to the issuer and extracted prior to default.

**Down Under Bonds:** For financing underground carbon capture operations. Not to be confused with underwear products bearing a similar labelling.

**NUKE Floaters:** Nuclear Und Kinetic Energy floating rate notes. Issued for nuclear power financing. These are investments with a half life longer than the average investor and are guaranteed to be around for a very long time. Have the added advantage that they can be seen in the dark.

**CALMs:** Carefully Aimed Laundering of Money Facilities. Arrangements guaranteed not to be caught by AUSTRACs AML activities. Should be popular with Gambling Operators and Payments Providers. All waste-products left from the laundering to be sequestered to protect the ecosystem.

**DINGO Bonds**: Driven into near extinction in the early 1980s, the remains of some specimens of these financial derivatives are believed to be held in a number of private collections. If enough of the DNA can be extracted, recent advances in cloning techniques might mean that it is feasible for a reintroduction of these uniquely Australian creatures into our environment – a precious positive for biodiversity!

**Fungible Financial Products:** The descriptor "fungible" should henceforth be used only in cases where there is a direct and quantitatively significant nexus with the production and promotion of naturally occurring species of fungus identified as priorities in the government's published biodiversity goals. Investors should not be kept in the dark about the merits of such products.

**Short-Term Investments:** All financial instruments and investment vehicles which have a maturity date which is earlier than the year identified by the government as the target year for net-zero emissions should be clearly labelled as being short-term. The RBA and Commonwealth Treasury should only describe bonds as "long-dated" where conformity with this aspect of the new taxonomy applies.

**Insurance Product Nomenclature:** All insurance products which provide cover against nature-related risk must be 100 per cent explicit about the risks they are providing safeguards and /or guardrails against. Consistent with this Life Insurance products should be relabelled Death Insurance

**Pro-cyclicals:** The terms "counter-cyclical" and "anti-cyclical" will be gradually phased out. Cycles and cyclists need to be encouraged to reduce carbon emissions. Greater numbers of MAMILs will align with the government's bio-diversity goals.

**CCS Forestry MIS:** Managed Investment Schemes to provide retail investors with part ownership of forestry developments aimed at harvesting carbon credits from the planting of trees for Carbon Capture and Sequestration. Double jeopardy may be involved – the Timbercorp and Great Southern MIS disasters of a decade ago spring to mind, while the delivered social value of carbon credits is unclear.

**Centigrade Futures: F**utures contracts with payoffs based on the difference between the year-average temperature in 2050 and that in the year the contract opens. Pessimists on climate change can go long and use profits to offset heat induced misery. Climate sceptics could put their money where their mouth is by going short and publicize the fact that they are doing so.

**Owen Covick, Research Associate at the South Australian Centre for Economic Studies**
**Kevin Davis, Emeritus Professor of Finance at The University of Melbourne.**

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