

Submission to the Australian Department of the Treasury

Consultation: Strengthening the Superannuation Performance Test (May 2026)

Submitted by: Climate Capital Forum (CCF)

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Who We Are

The Climate Capital Forum (CCF) is a leading advocacy network bridging Australia's superannuation sector, institutional investment ecosystem, and energy transition policy. Our membership spans fund managers and investors, sustainable finance experts, and clean energy developers.

A CCF core mission is to align national retirement savings frameworks with the urgent imperative of economic decarbonisation in Australia. We work to remove structural barriers within the financial system to unlock institutional capital, ensuring Australia's \$4.4 trillion superannuation pool can safely and productively finance the nation's transition to a low-carbon economy while delivering strong, resilient, long-term returns for members.

The Climate Capital Forum welcomes the opportunity to respond to the Treasury's consultation on *Strengthening the Superannuation Performance Test*. Australia's \$4.4 trillion superannuation system represents the single largest economic lever available to mobilise the productive capital required for the domestic energy transition. However, the current 10-year backward-looking test creates systemic, unintended consequences. It forces registrable superannuation entity (RSE) licensees to "hug" narrow index benchmarks, heavily penalising the highly differentiated, long-term investment strategies required to finance real-economy decarbonisation.

The superannuation sector currently only allocates an estimated 1% of capital flows directly into clean energy (\$44 billion)¹ despite it being the critical long term infrastructure investment required for the future prosperity of all Australians. It's estimated that Canadian pension funds invested \$408m more in Australian renewable energy projects than Australia's superfunds.²

Whilst estimates have investment in decarbonisation requiring between \$200-\$500 billion by 2035.³ Overall, the industry holds approximately \$350 billion in infrastructure assets⁴, the vast majority remains locked in legacy domestic infrastructure such as toll roads, airports, and ports.

To rectify these distortions, CCF strongly advocates for a targeted, high-impact reform agenda that prioritises Option 1.1 (Emerging Asset Class) and Option 3 (Routine Benchmark Review) as complementary and mutually reinforcing mechanisms.

Key Positions:

- Option 1.1 (Emerging Asset Class): Strongly Support & Push Higher. We support the proposed CPI + margin benchmark framework but urge Treasury to expand the proposed asset allocation ceiling from 5% to 10% to meet the scale of the transition.
- Option 1.2 (Alternative Asset Class Adjustments): Low Priority. This proposal is largely superseded if Option 1.1 is robustly implemented.

¹ 1% of total savings based on [Super funds urged to seize transition opportunities | Climate Change Authority](#)

² [Passing the Buck](#), Market Forces

³ [Australia 2035 – Maximising Our Potential](#), Business Council of Australia

⁴ 8% of total savings based on average from APRA - [Quarterly superannuation statistics | APRA](#)

- Option 2 (Risk-Adjusted Returns / Simple Reference Portfolio): Do Not Support. This captures renewables framework fails to resolve the underlying problem of ill-suited benchmarks and lacks broad industry consensus.
- Option 3 (Routine Benchmark Review): Strongly Support & Strengthen. We support establishing a regular, framework-based review to break the current index monopoly, provided listed equities—which represent ~\$2 trillion or roughly 50% of total superannuation assets—are explicitly brought into scope.
- Option 4 (Expand Test Coverage): Defer Coverage. Expanding the performance test to additional products before correcting its structural flaws risks scaling and locking in existing market distortions.

Our Overarching Ask: Treasury must implement structural reforms that enable patient, long-term capital to flow efficiently into Australia's real economy. Elevating the Option 1.1 asset ceiling from 5% to 10% would safely clear a pathway to mobilise over \$450 billion in private institutional capital toward critical transition infrastructure, ensuring economic security and robust retirement outcomes in a decarbonising global market.

Option 1.1 — Emerging Asset Class (SUPPORT)

CCF strongly welcomes the introduction of an "Emerging Asset Class" utilised via a CPI + margin benchmark framework. This is a pragmatic, familiar, and highly effective mechanism to accommodate long-term, illiquid, and highly differentiated assets that do not fit into rigid, legacy commercial indices.

1.1 Scaling Ambition: Moving from 5% to 10%

While the proposed 5% asset ceiling is a constructive starting point, it must not be treated as an endpoint. To achieve the capacity required for national decarbonisation, the framework should establish a clear legislative pathway to escalate this ceiling to 10%. Currently, Australian super funds hold approximately 8% of funding in infrastructure assets (\$350 billion)⁵, yet only an estimated 1% of capital flows directly into clean energy (\$44 billion); the vast majority remains bound to traditional domestic infrastructure like toll roads, airports, and ports. Expanding the ceiling to 10% signals long-term regulatory certainty, allowing funds to construct meaningful, dedicated transition portfolios without the fear of artificial tracking-error penalties.

1.2 Defining Eligible Assets around the Energy Transition

To ensure integrity and prevent greenwashing or asset misclassification, eligibility criteria for this class should be tightly coupled with existing federal economic architectures. Rather than inventing novel definitions, Treasury should reference:

- The Climate Change Authority's (CCA) sector-specific decarbonisation pathways.
- The Australian Sustainable Finance Taxonomy.
- Mandatory Climate-Related Financial Disclosures (aligned with TCFD/ISSB).

Eligible investments should specifically include renewable energy generation and storage infrastructure, clean industrial manufacturing assets (such as green steel and hydrogen components), grid transmission expansion, and formally verified transition finance facilities.

1.3 Addressing Implementation Mechanics

CCF acknowledges open operational questions and proposes the following resolutions:

- Margin Level: The margin above CPI should reflect the long-term, illiquid nature of infrastructure investments (e.g., CPI + 4% to 5%), ensuring it is challenging yet fair, preserving member outcomes without being punitive.
- Liquidity Requirements: APRA's existing systemic liquidity management framework (CPS 105) is already robust enough to manage liquidity risks; the performance test should not double-regulate liquidity at the asset-class level.

⁵ 8% of total savings based on average from APRA - [Quarterly superannuation statistics | APRA](#)

- Application: This benchmark must be applied on a prospective-only basis to prevent retroactively penalising funds for historic allocations made under previous regulatory iterations.

Option 3 — Benchmark Review (SUPPORT)

The current performance test framework suffers from an index monopoly, where a small number of commercial index providers dictate asset allocation across a multi-trillion-dollar sector. CCF strongly supports Option 3 to introduce a framework-based, routine review of benchmarks.

3.1 Bringing Listed Equities into Scope

A benchmark review framework that excludes listed equities is fundamentally flawed. Listed equities comprise approximately \$2 trillion, representing roughly 50% of the entire superannuation asset pool. The current equity benchmarks penalise funds that under-weight high-emitting legacy companies or over-weight forward-looking clean industries. To achieve genuine structural reform, listed equities must be brought explicitly into the scope of routine Treasury and APRA reviews.

3.2 Breaking the Index Monopoly

The review should establish strict, principles-based criteria for what constitutes a suitable benchmark, rather than permanently prescribing specific commercial indices. By setting standards around data transparency, forward-looking risk management, and economic alignment, the Government can foster healthy competition among index providers.

3.3 Integrating Existing Climate and Disclosure Infrastructure

The benchmark architecture should leverage the substantial regulatory infrastructure already being deployed by the Government. Benchmarks should incorporate data from Australia's new climate-related financial disclosure regimes and transition planning frameworks. International precedents, such as the European Union's Climate Transition Benchmarks (CTB) and Paris-Aligned Benchmarks (PAB), offer valuable reference models. Australia has the opportunity to design an even stronger, more resilient system tailored to our unique resource and energy advantages.

On Options 2 and 4

Option 2: Risk-Adjusted Returns / Simple Reference Portfolio (DO NOT SUPPORT)

CCF does not support the adoption of a Simple Reference Portfolio approach. This option fails to remedy the root cause of the system's distortion: it still relies on standard, backward-looking commercial indices that are fundamentally ill-suited for real-economy transition assets. Furthermore, there is no broad industry consensus on its design. If Treasury seeks alternative holistic models, the risk-matching and objective-based frameworks examined by the Monash Centre for Financial Studies warrant closer evaluation, but Option 2 in its current form should be rejected.

Option 4: Expand Test Coverage (NOT YET)

Expanding the performance test framework to a broader set of superannuation products is premature. Until the core benchmark design flaws and backward-looking distortions detailed above are comprehensively resolved, expanding the test risks locking in these structural perversities across a larger portion of the retirement system. It would amplify the "benchmark hugging" phenomenon, ultimately restricting productive capital allocation at a time when investment flexibility is critically required.

Recommendations and Regulatory Alignment

To ensure the superannuation sector can maximise member returns while safeguarding long-term economic security, CCF recommends that Treasury prioritise the following actions:

1. Prioritise and Fast-Track Options 1.1 and 3: Treat these two options as a unified reform package capable of delivering immediate, high-value improvements to capital allocation efficiency.
2. Commit to an Escalation Pathway: Build a review mechanism directly into the regulations that allows the 5% Emerging Asset Class ceiling to scale dynamically up to 10% as eligible transition asset pipelines mature.
3. Bridge the Internal Regulatory Knowledge Gap: Address the current institutional silo within government agencies. There is a visible knowledge gap between APRA/Treasury divisions focused on retirement income/superannuation policy and those focused on sustainable finance and industrial transition. Treasury should establish an inter-divisional taskforce to ensure superannuation performance metrics are aligned with national economic decarbonisation pathways and sustainable finance strategies.