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## **FAR-REACHING CLIMATE CHANGE RISKS TO AUSTRALIA MUST BE REDUCED AND MANAGED**

The Australian Climate Roundtable (ACR) is a forum that brings together leading organisations from the business, farming, investment, union, social welfare and environmental sectors. Since 2014 we have sought and found common ground on responding to the challenge of climate change.

The public debate over the costs of increased ambition to reduce greenhouse gas emissions has too often been disconnected from consideration of the costs of climate change to our economy, environment and society. To strengthen our own shared understanding of these risks and costs, and inform the wider debate, the ACR held five workshops through the first half of 2020. These brought our organisations and our members together with invited experts to better understand the emerging damage of climate change including: recent and projected changes in climate; impacts on land, water and nature; infrastructure and insurance; human health, disasters and communities; and jobs, macroeconomic and financial stability impacts.

Presentations were provided by the ARC Centre of Excellence for Climate Extremes, the Australian Energy Market Operator, Australian Strategic Policy Institute, Baringa Partners, the Bureau of Meteorology, CSIRO, Insurance Australia Group, Macquarie University, the Red Cross, the Reserve Bank of Australia, the University of Melbourne, the University of NSW and the Queensland Investment Corporation.

### **What the experts say**

Climate change is already having a real and significant impact on the economy and community. Australian temperatures are increasing, extreme climate-related events such as heat waves and bushfires are becoming more intense and frequent, natural systems are suffering irreversible damage, some communities are in a constant state of recovery from successive natural disasters, and the economic and financial impacts of these changes continue to grow.

Even with ambitious global action in line with the objectives of the Paris Agreement, Australia will experience escalating costs from the climate change associated with historical emissions. These costs will be significant and will require a concerted national response to manage these now unavoidable climate related damages.

The Intergovernmental Panel on Climate Change advises that global emissions will need to reach net-zero by around 2050 to achieve the goals of the Paris Agreement. If the world fails to meet the objectives of the Paris Agreement, and instead continues its current emissions pathway, climate change would have far-reaching economic, environmental and social effects on Australia. It is unlikely that Australia and the world can remain prosperous in this scenario.

These effects include but are not limited to:

- Unprecedented economic damage to Australia and our regional trading partners from acute (e.g. extreme events) and chronic (e.g. sea level rise) changes in climate. Significant impacts on coastal regions, agriculture, human productivity and infrastructure. The economy-wide costs of not achieving the Paris Agreement objectives far outweigh the costs of a smooth transition to net-zero emissions.
- Risks to financial stability and particularly the insurance industry. The ability of the insurance and reinsurance markets to support Australian investments and communities would be compromised.
- Major acute and long-lived human and community social and health impacts. This includes both loss of life and livelihood from extreme events through to long-term medical conditions such as post traumatic stress disorder. Many communities and regions will suffer a constant cycle of natural disaster and rebuilding or face relocation.
- Irreversible damage to Australian unique natural heritage, including Australia's iconic and internationally significant ecosystems such as the Great Barrier Reef and Kakadu National Park.
- Significant threats to agriculture, forestry, nature-based tourism and fisheries. Unconstrained climate change is a risk to Australia's domestic food security.

The impacts of climate change will also put many governments under fiscal stress. Tax revenues will fall dramatically and increases in the frequency and severity of weather events and other natural disasters, which invoke significant emergency management responses and recovery expenditures, indicate that pressure on government budgets will be especially severe.

Even in the best case scenario, adaptation to growing climate change risks is unlikely to be possible for many communities and industries for a range of reasons including the prohibitive costs and climate damage exceeding the limits of economic, human and natural systems to respond.

Finally, everyone will be affected by climate change but some communities, regions and industries, and people on low incomes or experiencing disadvantage, are especially vulnerable.

## **The Australian Climate Roundtable response**

The scale of costs and breadth of the impact of climate change for people in Australia is deeply concerning and will escalate over time. It is in Australia's national interest that we do all we can to contribute to successful global action to minimise further temperature rises and take action to manage the changes we can't avoid.

Australia is currently woefully unprepared for the scale of climate change threats that will emerge over the coming decades. There is no systemic government response (federal, state and local) to build resilience to climate risks. Action is piecemeal; uncoordinated; does not engage business, private sector investment, unions, workers in affected industries, community sector and communities; and does not match the scale of the threat climate change represents to the Australian economy, environment and society.

There are signs of hope. Many existing government and regulatory programs, businesses, investors, community organisations, unions and environmental organisations are implementing actions that could be built on to develop greater resilience. Australia is an educated society, with a strong democratic foundation and robust public institutions such as our healthcare system and public service. Our financial sector and private enterprises increasingly recognise their important stewardship role in our society, including helping deliver more equitable and environmentally sustainable outcomes. Australia also enjoys significant natural advantages adapting and reducing emissions. For example, Australia's expertise in agricultural production systems means that we can easily deploy certain nature-based solutions, such as carbon sequestration in biomass and soils, which not only contribute to agricultural resilience but also help mitigate climate change.

### **Recommendations arising from expert engagement to contribute to building national resilience:**

- **Governance:** Coordination of Australia's response to climate change (both mitigation and resilience) should be a standing item for the National Cabinet. Different jurisdictions have different responsibilities and levers to build resilience to the effects of climate change. Coordinated action across these jurisdictions will be needed to ensure the most effective action and efficient allocation of resources.
- **Systematic Risk Assessment:** Australia has no up to date assessment of the impact of climate change on the country overall, or on people, jobs, specific communities, critical infrastructure and specific economic sectors. We can't plan for what we don't yet understand. Like in other jurisdictions such as the USA and New Zealand, the government should instigate a biannual national climate change vulnerability assessment. This assessment should focus on the threat to particular sectors or industries (including the insurance industry and its customers) and examine the synergies between systems. In addition, climate risk assessment should be overlaid with social vulnerability data, to ensure adaptation and resilience plans better address

the needs of people and communities more vulnerable to climate change. Without this information, it is difficult to direct efforts to protect our most vulnerable communities and systems from climate change threats.

- **Provision of consistent data and information sharing:** There is currently a proliferation of data, portals and proprietary tools to assess climate change risk and build resilience. Governments should serve a role in the provision of this core information and provide greater funding to the science that underpins it (such as by refinancing the National Climate Change Adaptation Research Facility). In addition, the Commonwealth should establish a body to coordinate between the Bureau of Meteorology, CSIRO, academia and private, non-government and public sector users for the provision of climate data and authoritative knowledge sharing.
- **Build on the work of the Council of Financial Regulators:** To ensure macroeconomic and financial stability risks are minimised, climate change must remain a core priority for the Council of Financial Regulators. They should develop rules and guidance for the disclosure of climate-related physical risks to support financial stability and enhance the pricing of physical climate impacts in investment decisions (large and small).
- **Support vulnerable communities and the organisations which support them:** Based on the national vulnerability assessment, prioritise support and investment for people and communities most vulnerable to the impacts of, and responses to, climate change, and the organisations that support them.
- **Ensure policies unlock private sector investment in resilience:** Government budgets will be insufficient to build resilience to the impacts of climate change across the economy. Unlocking private sector capital will be crucial. In addition to the above, governments should work with the private sector to facilitate investment in resilience measures through supporting the development of innovative resilience financing options and, where appropriate, the application of national standards to build resilience (e.g. the construction code).
- **Integrate building resilience to the impacts of climate change with COVID-19 recovery efforts:** Mitigating the risks of climate change and making our economy, labour market, infrastructure, workplaces, supply chains, communities and homes more resilient will require substantial, sustained and astute investment across Australia. Accelerating that investment can also have significant near-term benefits in speeding Australia's economic recovery from the COVID-19 pandemic.

### **Working together for a prosperous Australia**

The Australian Climate Roundtable has previously recognised Australia's national interest in holding the increase in the global average temperature to 1.5°C, or at most to well below 2°C, above pre-industrial levels. Australia must play our fair part in international efforts to achieve this and can do so while maintaining and increasing our prosperity.

To this end, and in addition to the resilience measures outlined above, the Australian Climate Roundtable encourages the Commonwealth Government to guide its policies by adopting a long-term objective of net-zero emissions by 2050 for the Australian economy as a whole, and of increased social equity and global competitive advantage for Australia in a net-zero world.

The COP26 Glasgow climate conference has been delayed by the COVID-19 pandemic, and the Government has pushed back its forthcoming long-term strategy for emissions reduction into 2021 as a result. That provides enough time for deep consultation with the Australian community on a comprehensive approach to the climate mitigation and adaptation challenges.

Emissions reductions on a necessary scale will require substantial change and present significant challenges for Australia as well as other countries. Policy must be well designed to achieve the goal while avoiding these risks. ACR has set out [principles](#) that should guide the development and implementation of these policies.

Without a coherent national response to climate change the future prosperity of the nation will be at risk. We run the risk that investment will flow to other economies with clearer targets and transition roadmaps. We need both a transition to net-zero emissions and to build resilience to those impacts of climate change that cannot be avoided.

The Australian Climate Roundtable will hold a second series of workshops exploring the pathways for a successful transition to a net zero emissions Australian economy. We are prepared to work with all stakeholders to help Australia rise above decades of delay and come together to address one of the greatest challenges the nation has ever faced.

### **Quotes by Individual Organisations**

*“The starting point for climate debate is not policies or targets, important as they are, but climate impacts. What do we have to endure? And what are we trying to avoid? The evidence is deeply concerning. Huge climate costs face Australian businesses and the communities, infrastructure and workers which they sustain and rely on.*

*“The urgency of that risk should drive all Australian governments to lift our game on adaptation and put net zero emissions by 2050 at the heart of their plans for prosperity.”*

- **Innes Willox, Chief Executive, Australian Industry Group**

*“More and more Australians are feeling anxious and alarmed about the climate damage that is here now, and the enormous risks ahead if the Morrison government does not act.*

*Australia is on the precipice of becoming a clean energy and clean tech superpower, rich in jobs and doing our bit to create a safe future, but the Morrison government will hold us back if it refuses to commit to cut our climate pollution and achieve net zero emissions before 2050.”*

- **Kelly O’Shanassy, Chief Executive Officer, Australian Conservation Foundation**

*“It is clear that without a more urgent, coordinated and targeted response to the climate crisis, not only will we see existing poverty and disadvantage deepen, but also more people will be driven into poverty and disadvantage. The social costs are even greater than the substantial economic costs of climate change impacts.*

*Now more than ever, the virus and bushfires have shown us we can and must continue to work together to build a more resilient, cleaner and equitable future. We are at a tipping point, we need leadership to act in the interests of all people living in Australia.”*

- **Cassandra Goldie, Chief Executive Officer, Australian Council of Social Service**

*“As we reconstruct our economy after the pandemic we have an opportunity to build a stronger, fairer economic framework that includes a credible and coherent plan on climate change and energy. In rebuilding our economy from the COVID crisis it is critical that job creation efforts also reduce emissions and keep Australians safe from the devastating impacts of bushfires and climate change.”*

- **Michele O'Neil, President, Australian Council of Trade Unions**

*“Putting Australia on the path to net zero emissions by 2050 can be an opportunity to drive billions of dollars of new investment, create new jobs, create new industries, boost our resilience and build the stronger regions we'll need to supercharge our recovery from the COVID-19 pandemic.”*

- **Jennifer Westacott, Chief Executive Officer, Business Council of Australia**

*“Climate change poses a systemic risk to the jobs and growth of the Australian economy. Ambitious, concerted and orderly emissions mitigation action across government and the private sector, consistent with Paris Agreement goals, is responsible economic management that will help protect our prosperity.”*

- **Emma Herd, Chief Executive Officer, Investor Group on Climate Change**

*“The strengthening of the NFF's climate change policy is a strong reminder of the role farmers can play in tackling emissions. Australia's farm sector continues to be a leader in reducing greenhouse gas emissions.”*

- **Tony Mahar, Chief Executive Officer, National Farmers Federation**

*“Australia has experienced a year of unprecedented change. The COVID-19 pandemic has changed the world, but Australia's catastrophic bushfire season changed our relationship with nature. While so much was lost, the disaster has also focused all Aussies' attention on future*

*proofing Australia. We need to deliver on the ambitious global targets of the Paris Agreement and harness our sunshine, wind and large land area to become a renewable energy superpower. Never before has Australia's leaders of industry and civil society collectively called on the federal government to commit to urgent action to deliver a net zero carbon society by 2050. Today, we say we need this commitment now. In a world of increasing uncertainty, this is a fundamental step to build Australia back better."*

**- Dermot O’Gorman, Chief Executive Officer, World Wildlife Fund Australia**

A summary of key information presented at the workshops is available [here](#)

The presentations from the workshops are available [here](#).

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