

Your Council and Climate Change

UNDERSTANDING THE RISKS AND LEARNING TO ADAPT

Business and community responses

Training for Victorian councillors,
supported by DELWP and
developed in partnership with



Key messages



The cost of inaction is too high

- Inaction on climate change may cost Victoria over \$150 billion through to 2050, increasing dramatically to about \$1 trillion by 2100
- The COVID-19 pandemic is an opportunity to reset and move to a zero carbon, resilient future
- Victorians want strong action on climate change from all levels of government, community is already acting



Business and industry are acting on climate risks & opportunities

- Action on climate risk is already happening
- Directors and investors are also acting by switching investments away from those at risk from climate change

Reference

A recent Australian study estimated that with no further global action the cost of climate change damages to Victoria through to 2050 would be over \$150 billion, increasing dramatically to about \$1 trillion by 2100. This is likely to underestimate the true cost, as it does not include most of the costs of floods, bushfires, pollution and biodiversity loss.^[1]

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Australian climate change costs

Report by Melbourne Sustainable Society Institute 2019

“Inaction on climate change will cost Victoria over \$150 billion through to 2050, increasing dramatically to about \$1 trillion by 2100”

Reference

The potential damages from climate change to Australia at current global emissions patterns are:

- \$584.5 billion in 2030
- \$762 billion in 2050
- more than \$5 trillion in cumulative damages from now until 2100.

These costs are conservative – they exclude the bulk of costs of floods and bush fires, pollution, damage to environmental assets and biodiversity losses.

Conversely, the national costs of effective emissions reduction – based on a carbon price or renewables target – are estimated at \$35.5 billion from 2019 to 2030, or 0.14% of cumulative GDP; a negligible impact.

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The energy transition

- Renewable energy sources accounted for approximately 16% of Victoria's electricity generation in 2018 (Victorian Government 2018)
- Wind & solar are the cheapest options for electricity generation (ARENA 2020)



Action on getting to zero emissions through renewables is already happening.

Businesses are transitioning now

- Bunnings, Kmart Group and Officeworks have accelerated plans to reduce their emissions, including targeting net zero emissions by 2030. Commitments include 100% renewables for all operations by 2025
- Woolworths, which accounts for 1% of all electricity used in Australia, also plans to be 100% renewables by 2025

Local government is also part of this transition.

- The largest local government buying group for renewable energy of 47 councils in Victoria will be procuring 238 GW of renewable electricity for their own operations from 2021. This is the equivalent to powering nearly 45,000 homes and accounts for over half of all the electricity used by all Victorian councils.
- Victorian local government tripled the amount of solar on their own rooftops between 2017 and 2020

Financial risks



“Climate risk is investment risk”

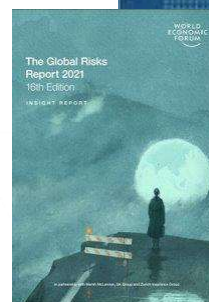
Larry Fink, Chairman and CEO of BlackRock



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The Paris Agreement led to some understanding of the risks implied in the transition to the low-carbon economy, and especially associated financial risks. There is significant concern that climate change may cause systemic financial shock on the economy.

The Financial Stability Board is an international body that monitors the global financial system. It created the Task Force on Climate-related Financial Disclosures (TCFD) in response to this understanding, to improve and increase reporting and understanding of the impact of climate risks and climate-related financial information.

The TCFD recognises that **“Climate change presents financial risk to the global economy.”**

This report has been very influential in the private sector, and several government bodies are exploring its implications for government too.

Also, the 16th edition of the **World Economic Forum’s Global Risks Report** was released in January 2021. This is an annual report published by the World Economic

Forum which presents the major risks the world will be facing in the coming year. It's based on a "Global Risks Perception Survey" completed by about 800 members of the WEF.

In 2021, "extreme weather" and "climate action failure" are the top two highest *likelihood* risks of the next ten years. They also appear in the top 10 highest impact risks of the next ten years (#2 and #8 respectively).

This has also been recognised across investors, banks and the insurance industry:

- BlackRock is the world's largest asset manager, with nearly US\$7 trillion in assets. It is removing companies that get more than 25% of their revenue from thermal coal production from its actively-managed portfolios, stocks and bonds. It is also identifying other sources of climate risk within its investment portfolio. Larry Fink, Chairman and CEO of BlackRock, has stated that climate change **"has become a defining factor in companies' long-term prospects" and that "climate risk is investment risk"**
- Moody's Investors Service provides international financial research on bonds issued by commercial and government entities and is considered one of the big three credit rating agencies. In January 2020, it issued an announcement that 'climate-related risks pose a long-term credit challenge for New South Wales,' citing in particular:
 - Drought and bushfire have materially disrupted economic output and increased budget pressure
 - Water-related stress will pose greater risk to Greater Sydney over the longer term
- Munich Re covers reinsurance and primary insurance. It has warned that the costs of insurance could become prohibitive. This could become a social issue over the long-term, entrenching inequality between those who can and cannot afford insurance.
- One in every 19 property owners across Australia face the prospect of insurance premiums that will be effectively unaffordable by 2030 – that is, costing 1% or more of the property value per year.
- Banks are approaching climate change as a financial risk that they need to manage. Bank Australia offers discounted home loans for homes that meet minimum energy efficiency standard. ANZ released its climate change policy in 2020. It will stop directly financing any new coal-fired power plans or thermal coal mines including expansions by 2030. Loans will only be provided for large-scale office buildings if the buildings are highly energy efficient.

- Over 30 councils in Australia have pledged to divest from fossil fuels

Climate change as a Directors duty is relevant for all businesses.

- In 2016, a landmark legal opinion determined that climate change risks represent risks to Australian companies, which courts would consider foreseeable. **It said that directors who fail to consider “climate change risks” now could be found liable for breaching their duty of care and diligence in the future.**

We’ll talk more about duty of care and diligence in the context of councillors in a later section.

Litigation risk

Rest super fund commits to net-zero emission investments after Brisbane man sues

By national science, technology and environment reporter Michael Slazak

Strategic report

Climate-related financial disclosures

Australian Government sued by 23-year-old Melbourne student over financial risks of climate change

APRA — the Australian financial industry regulator — said in 2017 that climate change was not only a "foreseeable" risk, but also "material and actionable now".
(ABC news, 22 Jul 2020)

Why is CBA taking action on climate change?

Climate change has been shown to put businesses at risk of litigation, and businesses have responded to this

- In 2020, Brisbane man Mark McVeigh reached a settlement with Rest Super Fund, due to its failure to disclose how it was managing the risks of climate change. The fund subsequently stated: "Climate change is a material, direct and current financial risk to the superannuation fund across many risk categories, including investment, market, reputational, strategic, governance and third-party risks."
- In another case, the Abrahams family sued the Commonwealth Bank of Australia (CBA), alleging that it violated the Corporations Act of 2001 with the issuance of its 2016 annual report, which failed to disclose climate change-related business risks — specifically including possible investment in the controversial Adani Carmichael coal mine.
- As a result, in 2017, CBA made substantive changes to its annual report, acknowledging climate risk, and the Abrahams dropped the case. CBA have now undertaken scenario and risk analysis of their portfolio.
- A world first case has also been brought against the Australian Government, where

a Melbourne law student is suing them failing to disclose the risk climate change poses to Australians' super and other safe investments. O'Donnell is bringing a class action "alleging the Australian Government (as well as two government officials) have failed in a duty to disclose how climate change would impact the value of government bonds." "Experts say it is the first where is the first instance of a national government being sued for lack of transparency on climate risks" ([Australian Government sued by 23-year-old Melbourne student over financial risks of climate change - ABC News](#))

Grounds for litigation:

- Breach of duty of disclosure as a promoter of the Exchange-Traded Australian Government Bonds (as a regulated person required to provide an information statement) **under the Corporations Act**
- Contravention **under Australian Securities and Investment Commissions Act 2001** by provision of misleading information on a financial product
- Breach of duty to exercise powers/functions with reasonable care and diligence under **s25 of the Public Governance and Performance Accountability Act 2013**

An active community



Diverse sections of society are urging stronger action on climate change, from school students in Victoria and around the world, to farmers and doctors.

They will all be impacted by climate change if urgent action isn't taken, and some don't need scientists to tell them the affects are being felt already.

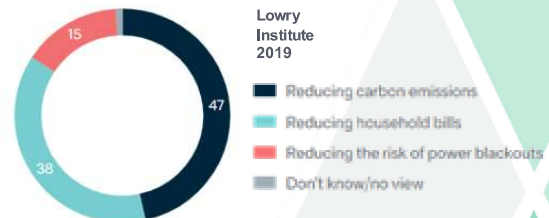
Victorians support action on climate change

78% of Victorians are concerned about climate change

89% of Victorians believe that local government should be acting on climate change

(Sustainability Victoria 2017)

Now thinking about energy policy, which one of the following goals do you personally think should be the main priority for the federal government?



'70% of Australians, **expect** their government to make protection of the environment a priority when planning a recovery from the coronavirus pandemic'

(Ipsos 2020)

77% recognise the potential for new jobs and investment in renewable energy

Climate of the Nation (The Australia Institute 2020)

The Australian public is on board with tackling climate change too.

As shown on the slide, research into Victorian attitudes towards climate change reveal there is a high level of concern about climate change.

There is strong support for climate action at all levels of government, and Victorians' express a strong willingness to act themselves.

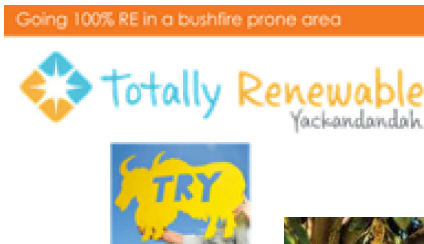
Polling of Australians in 2019 showed that when it comes to energy policy, the majority thought the main priority of the federal government should be reducing carbon emissions, ahead of reducing household bills.

Even amid COVID-19, polling by the Australia Institute demonstrates the level of concern about climate change. 82% of those polled worried climate change will result in more bushfires, and 77% see the opportunity we could realise by investing in renewables.

In polling conducted in June 2020, 70% of Australians stated that they expect their government to make protection of our environment a priority when planning for

recovery from the COVID-19 pandemic.

Community action on climate change



Communities are not just worried about climate change or expecting their governments and industry to act, they're also taking action themselves

In Port Fairy, sea level rise and erosion exposed two decommissioned landfills in Moyne Shire Council, exposing rusty metal, glass and asbestos. Residents got together to monitor erosion on the beach. This has seen an ongoing citizen science project, where residents monitor sand levels twice a month, and submit their findings to Moyne Shire Council. This has inspired similar action across the state.

More than a fifth of homes in Australia have rooftop solar, and in Victoria nearly half a million solar systems had been installed by 2020.

Anticipating this continued growth, some electricity companies are planning for investing in a time when 95% of Victorians have rooftop solar.

A survey of Queenslanders in 2018 showed that the driver for uptake of solar was largely concerns over rising electricity bills, but also those affluent enough to not be put off by upfront costs.

For those who don't have the roof space, community energy can sometimes provide a way of purchasing renewables. Community energy is where a community group initiates, develops, operates and benefits from a renewable energy resource or energy efficiency initiative.

Totally Renewable Yackandandah is a community group with the goal of achieving 100% renewable power for the town of Yackandandah, and energy sovereignty for the town by 2022. The group has worked closely with the regional electricity distributor to implement microgrids run by renewables and launched an electricity retailer to facilitate local energy generation.

Community concern about lack of tree coverage in Victoria Park in WA led to a community developed Urban Forest Strategy. The aim was to increase canopy cover from 10% to 20% over 2 years through community involvement, partnerships with large land owners and support from the council. The key method to keep down cost was through a volunteer-led urban foresters network that can be mobilised for a mass planting and stewardship program.

Local government can support community projects like this as we will see later.

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