



Webinar 3: Accelerating progress on climate risk – approaches for mainstreaming and motivations for the boardroom

Adaptation in Action: Building Resilience in NSW

Tuesday 24 November 2020 | 10am – 11:30am





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approaches for mainstreaming and motivations for the boardroom**

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AdaptNSW Webinar Series

Welcome

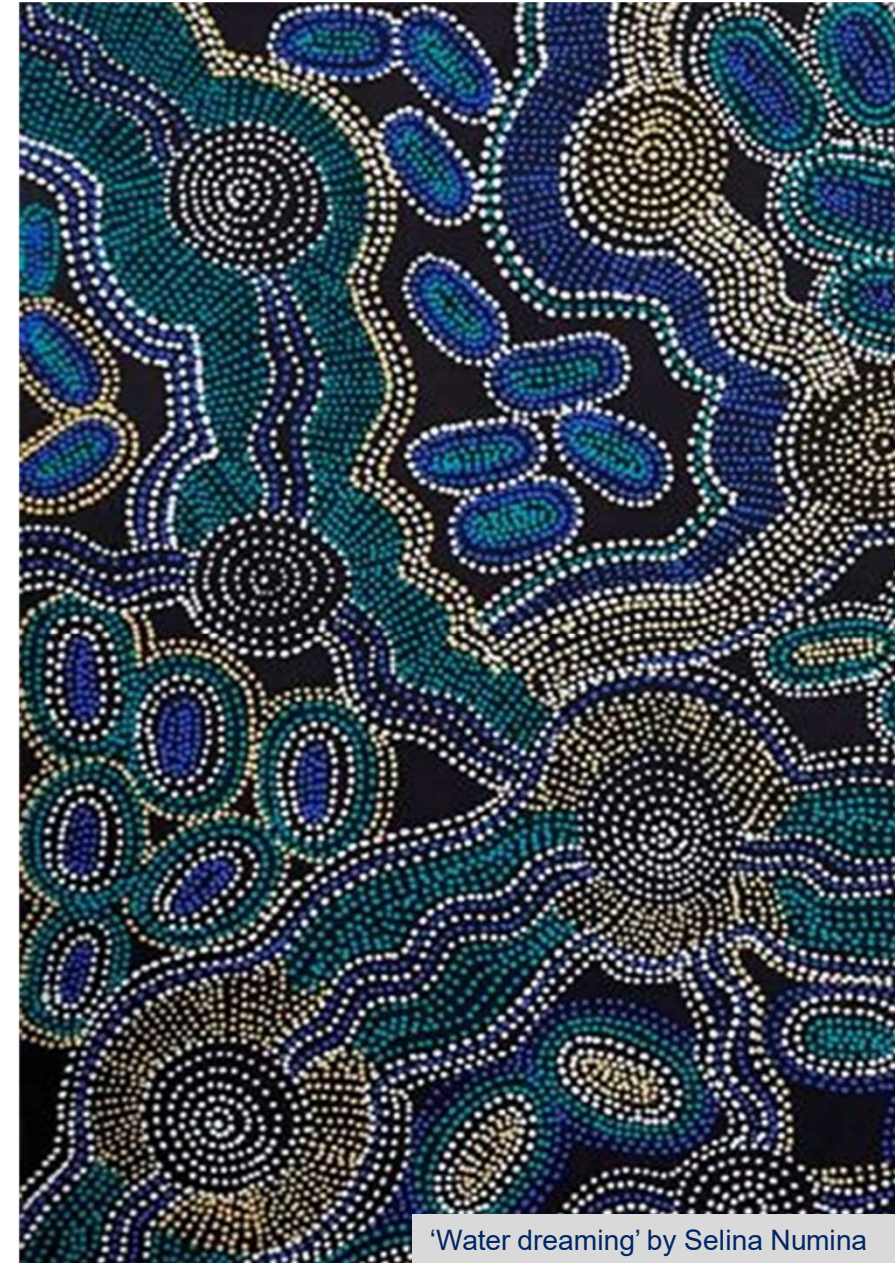
Nerida Buckley - Chairperson
Senior Team Leader, Climate Preparedness
NSW Department of Planning, Industry and Environment



Acknowledgement of Country

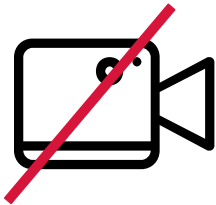
Nerida Buckley

NSW Department of Planning, Industry and
Environment



'Water dreaming' by Selina Numina

Meeting rules and interaction



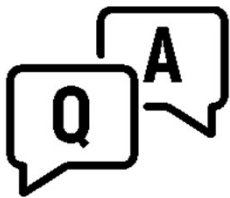
Turn off your camera



Mute yourself



Use the chat box



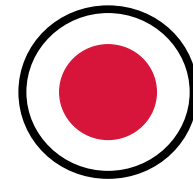
Dedicated Q&A
time after the event



Closed captions
are available



Presentation will be
available



Today's webinar will
be recorded



Minister's Address

AdaptNSW Webinar Series

The Hon. Matt Kean
NSW Minister for Energy and Environment



Video





Overview of NSW Government Action

AdaptNSW Webinar Series





Dr Stephen Bygrave

Director, Climate Resilience and Net Zero Emissions
NSW Department of Planning, Industry and Environment



Climate Resilience and Net Zero Emissions

NSW Government is leading initiatives to make NSW more resilient to climate change and to support the state to achieve net zero emissions by 2050.

-  NSW Net Zero Plan: Stage 1 (2020 – 2030)
-  NSW Climate Change Policy Framework
-  NSW Electricity Infrastructure Roadmap (2020 – 2040)
-  Climate Change Fund objectives (2017-2022)

Climate Preparedness

Assisting NSW businesses, government and the community to prepare and adapt to the impacts of climate change

The XDI NSW (Cross Dependency Initiative) Project - we work with NSW asset owners and operators to assess impacts of climate change on critical infrastructure and identify shared risks.

Climate Risk Ready NSW: building the capability of the public sector to manage climate-related risks through training, guidance, policy alignment and executive engagement.

Engaging with regional leaders to support locally-driven adaptation action and establishing regional governance models.

Enabling Regional Adaptation assessments for all regions of NSW that identify priority sectors and pathways for adaptation and transition.



Cultural and Ecosystem Adaptation

NSW land, water and sea management practices are responding to climate change impacts on cultural and natural assets; and

- Delivering climate change adaptation responses for biodiversity, ecosystems and threatened species on private and public land and marine and terrestrial parks
- Delivering climate-ready revegetation initiatives
- Producing and promoting guides and training for ecological and cultural adaptation
- Delivering adaptation assessment and support for Aboriginal owned lands and Aboriginal Cultural Heritage protection



Net Zero Land

Delivering abatement in the primary industries and land sectors under the Net Zero Plan

- Reducing emissions from livestock and agricultural processes.
- Driving the uptake sequestration in soils and vegetation
- Increasing access to carbon markets for land managers
- Supporting abatement projects on Aboriginal managed lands, National Parks and Crown Lands
- Recognising and valuing the multiple benefits that come from carbon projects, including biodiversity, social outcomes and economic outcomes.



Net Zero Emissions Implementation

Supporting a variety of stakeholders to achieve net zero emissions by 2050

- Tailored support to local councils to achieve net zero emission by 2050
- Assisting NSW Government towards net zero in its own operations through an emissions reduction pathways tool.
- Place-based action including working with Randwick Collaboration area to develop an Emissions Reduction Strategy for the precinct and its businesses and stakeholders such as health, education, transport, private sector and utilities.

Other initiatives include work on **Net Zero Emissions Transport**;

- Electric Vehicle Infrastructure and Model Availability
- Making Buildings EV Ready
- Transport Consumer Information



Department of Planning, Industry and Environment
Net Zero Plan
Stage 1: 2020–2030



Climate Information Delivery

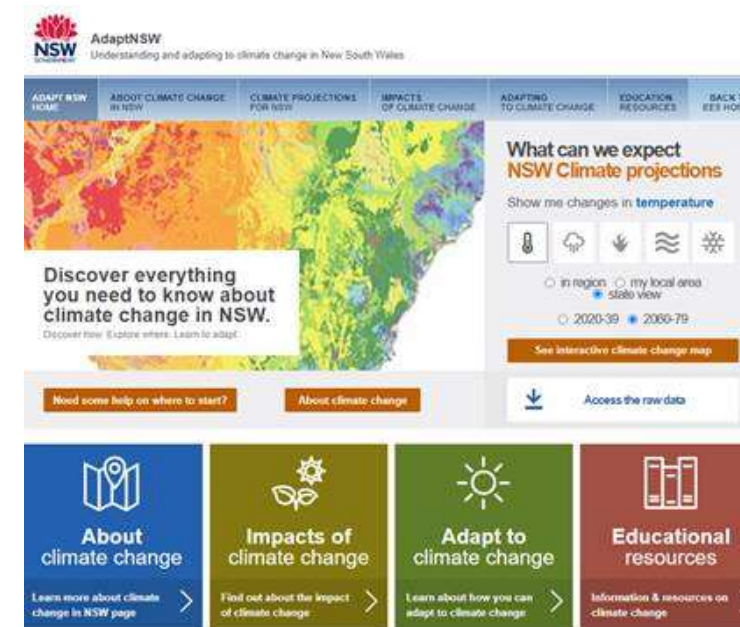
Helping NSW households, businesses, community groups and government to understand how climate change may affect them and what they can do to respond and adapt to the impacts.

Providing access to credible climate change information through the [AdaptNSW website](#) and Forum.

Providing \$3.5m in grants that support local government and the community implement on ground action.

Facilitating a more coordinated and collaborative response by State and Local Government in regional NSW.

Encouraging others to take action to build resilience to climate change by promoting our efforts and the actions of others.





Managing up - Reframing climate risk through a governance, finance and liability lens

Keynote Presentation

Sarah Barker
Head of Climate Risk Governance, Minter Ellison





Managing up

Reframing climate risk through a governance, finance and liability lens

AdaptNSW, 24 November 2020

Sarah Barker

Head of Climate Risk Governance

MinterEllison

We create
lasting
impacts. 

MinterEllison

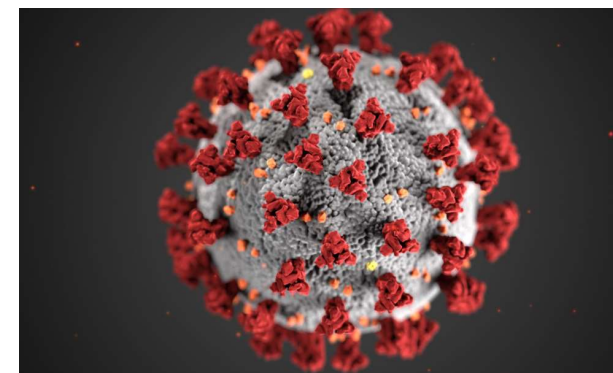
2020 has presented a raft of governance challenges for both private and public sector executives...



Brexit



Covid19



BUSHFIRES

theparliamentmagazine.eu

Market focus on climate change only *accelerating*



Managing upwards – communicating climate change through a finance and liability lens



1. Policy ratchet
Brexit

2. Investor ratchet
Covid

3. Legal ratchet
Bushfires

4. Key takeaways

Climate change: three main categories of financial risk



Financial risks & opportunities here and now

Three categories of climate-related financial risks



Physical

***Impacts on natural & built environment:
gradual onset + extreme catastrophic***



Economic transition

***Market impacts driven by policy, technology,
social responses to those physical risks***



Liability

Failure to mitigate, adapt or disclose

These risks manifest within mainstream investment horizons – including the shorter term



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

1. Policy & regulatory ratchet

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International regulatory environment

■ Net zero laws

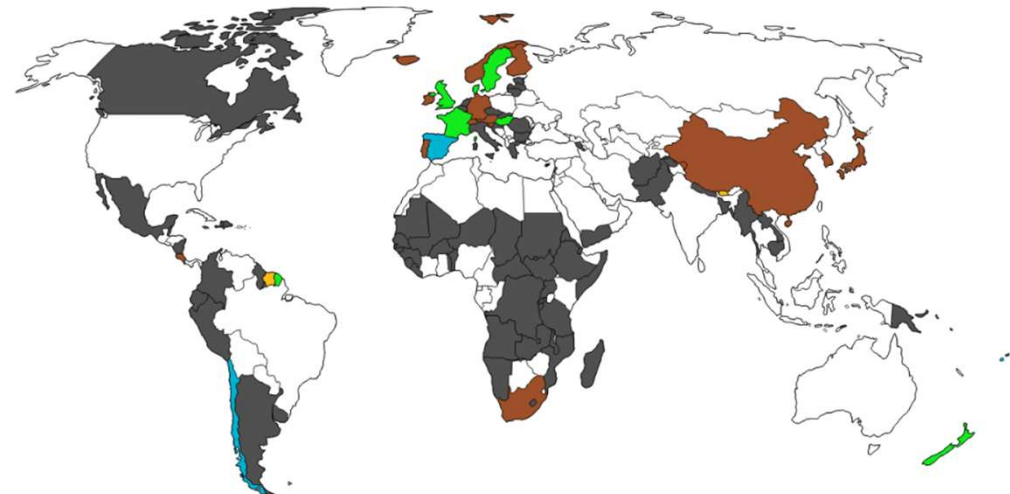
- From 10 to 110+ in 2020
- UK, EU, NZ, California, New York...
- ...and now including China, Japan, South Korea
- All Australian States & Territories – with 4 in law



Net-Zero Targets

The 126 countries that have set full decarbonization goals contribute 51% of global emissions

■ Target Under Discussion ■ In Policy Document ■ Achieved
■ Proposed Legislation ■ In Law

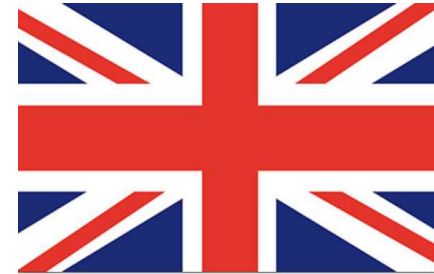


Source: Climate Action Tracker

Bloomberg Green

Spotlight on UK Brexit

- Net zero law – 2050
- Agriculture policy
- Trade policy
- Application to energy sector - stationary & transport
 - ICE ban ~~2040~~ ~~2035~~ **2030**

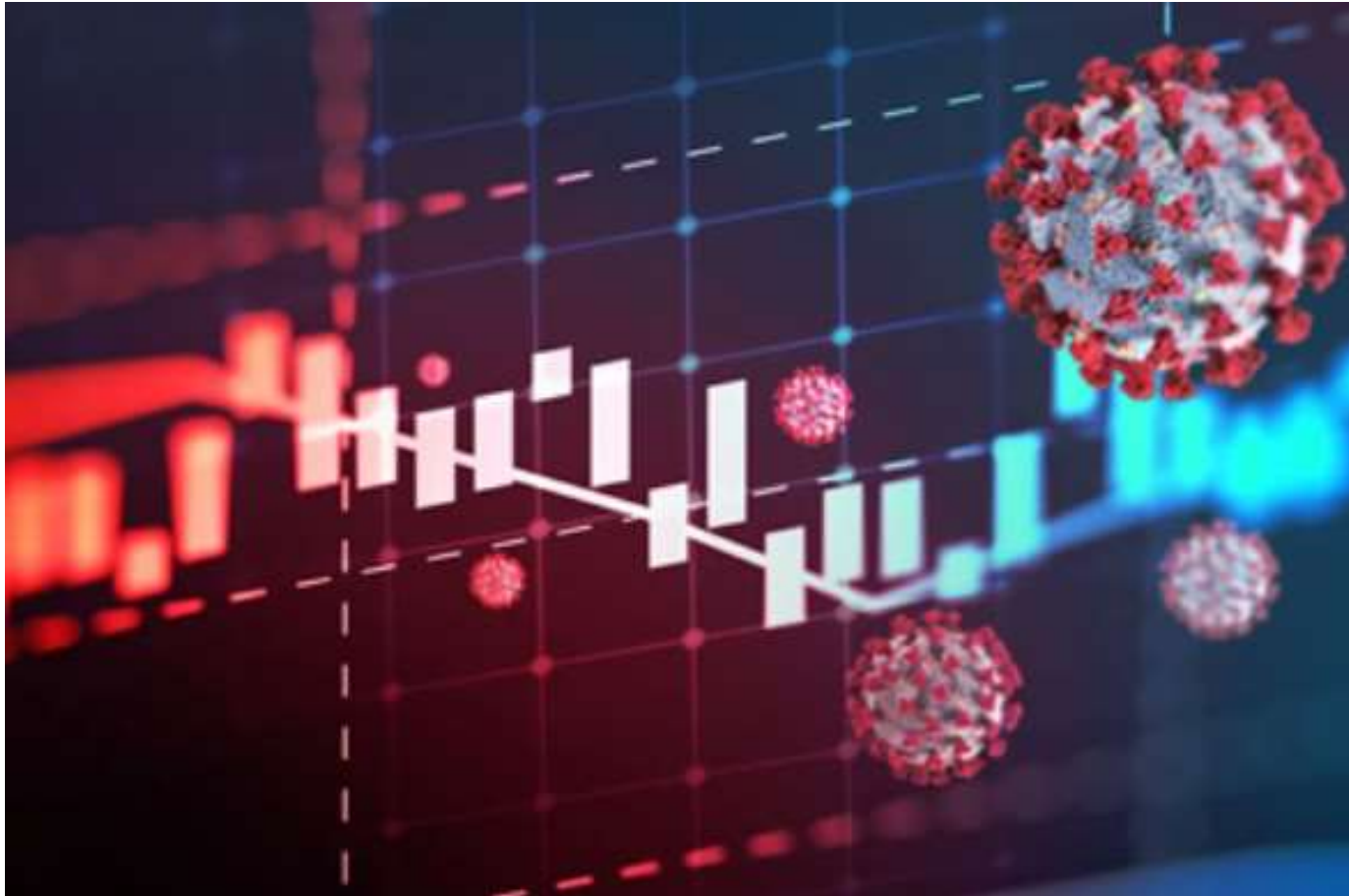


2. Investor ratchet

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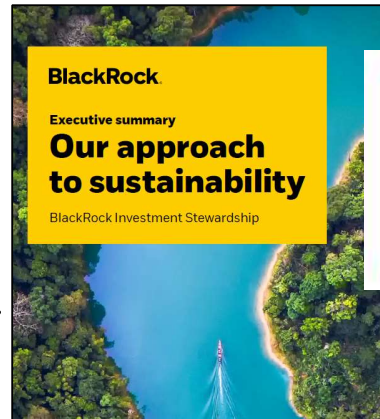
Covid19 concerns...



Covid19 concerns...remain secondary to climate change in 2020

“We are looking at these [issues] long term. These are not new issues...Companies can still demonstrate that they have effective leadership. In times of crisis that becomes more apparent, not less apparent.”

Michelle Edkins, BlackRock



In 2020, we identified 244 companies that are making insufficient progress integrating climate risk into their business models or disclosures. Of these companies, we took voting action against 53, or 22%. We have put the remaining 191 companies 'on watch.' Those that do not make significant progress risk voting action against management in 2021.

BlackRock



FINANCIAL TIMES

MinterEllison

[T]he searing experience of simultaneous health & economic crises will change how companies balance risk & resilience. We are entering a world in which firms will be expected to prepare for black swans by valuing anti-fragility...& planning for catastrophe... *Mark Carney, fmr Governor BoE*

2020 capital market developments

- Proxy focus:
 - Net zero – target & credible pathway
 - Scope 3
 - Lobbying
 - Remuneration
- Credit ratings agencies looking at physical and economic transition risks with more granularity
- Screens / price impacts emerging in bond markets



Claudio Munoz, *The Economist*, 9 March 2013

Investors driving competitor decarbonisation ambitions

- EU institutional investors and Australian super funds increasingly adopting net zero portfolio / financed emissions targets and tightening commodity-based exclusion criteria

Allianz 


AVIVA


GENERALI

aware
SUPER 

 CalPERS

AustralianSuper 

HESTA

Munich RE 

 UniSuper  Swiss Re


cbus
super fund


AXA


ZURICH®

Rest

 storebrand

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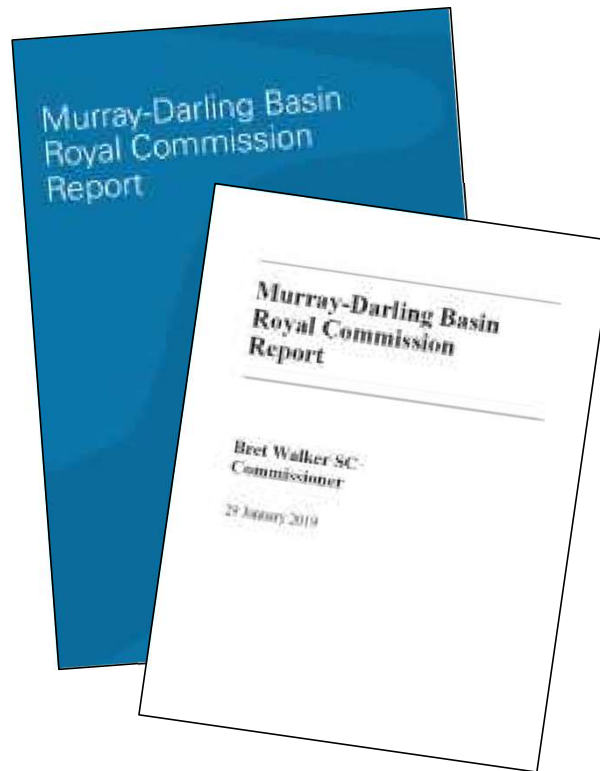
Consider: if this is the direction of institutional investor travel, what does that mean for us?

3. Liability ratchet

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Bushfires, floods & drought



- ‘...climate change...appears to be regarded by the MDBA as a factor to be dealt with by the same mundane operational flexibility as the system always has displayed in order to cope with ‘normal’ variability.’
- ...**Science, as that term should be understood, was not used.** The MDBA has failed to disclose key matters, such as its modelling. Science is open, available, & can be critiqued & checked. It can be validated or invalidated.
- [The MDBA’s failure to conduct] any review of climate change risks to the Basin... demonstrates **ongoing negligence by the MDBA. It is a dereliction of its duties. It is not just indefensible, but incomprehensible...**

Beyond claims against emitters - actions under administrative & commercial laws



Planning & development approvals	Misleading disclosures	Trustees', directors' & officers duties
<p><i>Claims against project proponents and government decision makers</i> - eg Heathrow</p> <p><i>Human rights & duty of care-based claims against government</i> - eg Youth Verdict v Ley</p>	<p><i>Shareholder class actions – overstatement of reserve assets based on historical assumptions</i> - eg ExxonMobil</p> <p><i>Annual reports</i> - eg PG&E</p> <p><i>Prospectus requirements – disclosure of material financial risks</i> - eg O'Donnell v Cth</p>	<p><i>Standard of due care & diligence</i> - eg McVeigh v REST settlement</p>

Key takeaways

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Takeaways – three key propositions to reframe climate change through a finance and liability lens

Climate change is a material – and accelerating - financial risk (& opportunity)

Past experience is not representative of future risk

Ask: Stress-testing & scenario analysis on a forward-looking basis, with forward-looking variables/assumptions

Diligence demands strategic proactivity rather than reactive compliance

Additional resources

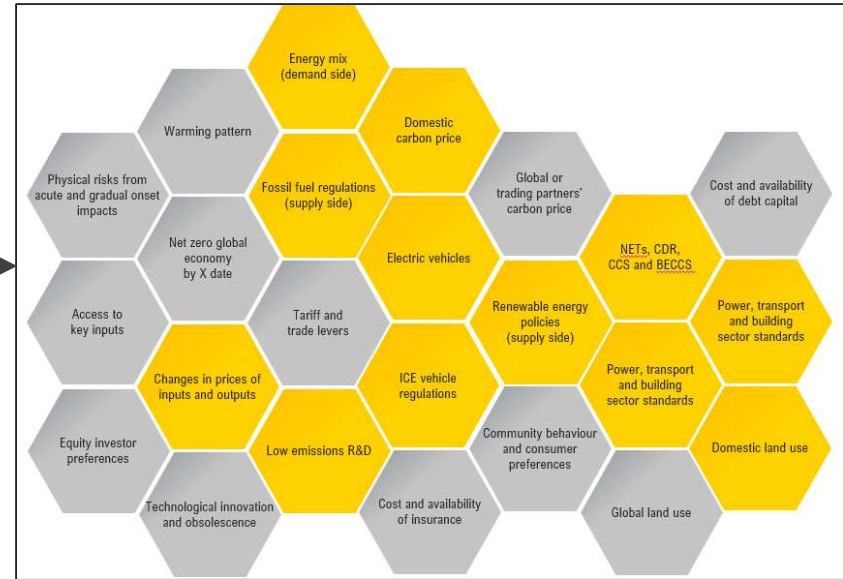
Australia's international climate change commitments – Associated accounting assumptions and auditing of climate risk disclosures

FINAL REPORT
January 2020

PART B
Assumptions for accounting and auditing of climate risk disclosures
MinterEllison and CCLI

Commissioned by: CPA Australia Prepared by: University of Melbourne, CCLI, MinterEllison

Commissioned by: Prepared by: MinterEllison



Top five considerations for meaningful climate-related corporate governance

July 2020

minterellison.com MinterEllison

Advanced FINsight
Heightened expectations on bank climate change risk governance & disclosure

July 2020

minterellison.com MinterEllison

Climate Risk Governance Capability Energy & Resources

2020

minterellison.com MinterEllison

Key Climate Risk Contacts



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Panel Discussion

AdaptNSW Webinar Series

Sarah Barker

Head of Climate Risk Governance, Minter Ellison

Dr Angela Cummine

Director of Sustainable Finance, NSW Treasury

Lucy Thomas

Head of Investment Stewardship, NSW Treasury Corporation (TCorp)

Katie Vines

Director of Operations, Climate-KIC Australia





Panel Discussion – Q & A

Slido.com
Event code: #adaptnsw3



Living in a material world

Closing Presentation

Katie Vines
Director of Operations, Climate-KIC Australia





Living in a material world



We provide a platform for translating research and ideas into action with community and economic outcomes. Working in new and different ways, we bring fresh insight to the problems of climate change to create innovative solution

GLOBAL ACTION

OUR MISSION

To inspire and enable climate action by being a catalyst for **systemic change, through innovation**

OUR ORGANISATION

An independent, not-for-profit that links industry, government and research to drive transformational climate action

OUR NETWORK

We deeply connect to the EIT Climate-KIC global network



IN COLLABORATION WITH



Climate-KIC is supported by the EIT, a body of the European Union

A blue-tinted landscape of rolling mountains with clouds. The text is overlaid on the right side of the image.

**FORESEEABLE,
MATERIAL AND
ACTIONABLE
NOW**

Emerging Trends

Insights from two Climate-KIC projects:

- Climate Measurement Standards Initiative
- Research report on climate scenario guidance



°CMSI

cmsi.org.au

Industry led collaboration to

- Develop voluntary guidelines for disclosure of climate physical risk to infrastructure and the built environment in Australia
- To improve comparability and understanding of climate-related disclosures



IN COLLABORATION WITH



Climate-KIC is supported by the
EU, a body of the European Union

Insights

- The insurance, banking and superannuation sectors are taking climate-related risk seriously
- They will drive change.
- Collaboration between climate science and end users generates decision-useful information
- (Industry) collaboration
 - Saves time and money
 - Reduces duplication
 - Accelerates group learning and
 - Promotes consistency
- There is more to be done

Climate scenario guidance

- The Australian Government commissioned a report to better understand the increasing use of climate scenario analysis to inform consideration of a possible national approach to climate scenarios and guidance.
- The research report includes:
 - analysis of domestic and international examples of guidance
 - case studies of climate scenario analysis

Insights

- Broader climate change scenarios
 - Physical risk
 - Transition risk
- Consider decarbonization
- Inform strategic planning
- Targeted communication is critical
- Build internal capacity and engage experts
- Needs vary - ensure internal relevance
- Process builds resilience
- Are decision systems fit for purpose when dealing with uncertain futures?



MORE INFORMATION

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Thank you!

