



4 December 2020

Committee Secretary
House Standing Committee on the Environment and Energy
PO Box 6021
Parliament House
Canberra ACT 2600

Email: Environment.Reps@aph.gov.au

Dear Committee Secretary

[Climate Change \(National Framework for Adaptation and Mitigation\) Bill 2020](#) and [Climate Change \(National Framework for Adaptation and Mitigation\) \(Consequential and Transitional Provisions\) Bill 2020](#)

On behalf of the Australian Council of Superannuation Investors (ACSI), I am pleased to make this submission in relation to the Climate Change (National Framework for Adaptation and Mitigation) Bill 2020 (the **Framework Bill**) and Climate Change (National Framework for Adaptation and Mitigation) (Consequential and Transitional Provisions) Bill 2020.

Established in 2001, ACSI exists to provide a strong, collective voice on environmental, social and governance (ESG) investment issues on behalf of our members, who include 37 Australian and international asset owners and institutional investors. Collectively, our members own, on average, 10 per cent of every ASX200 company, on behalf of millions of beneficiaries.

Our members recognise that ESG risks and opportunities have a material impact on investment outcomes. As fiduciary investors, they have a responsibility to act to enhance the long-term value of the savings entrusted to them.

We support the Paris Agreement aim of limiting global warming to well below 2°C and moving towards 1.5 °C, which will require a shift to net zero emissions by 2050.

Climate change presents physical and transitional risks and opportunities for business and investors. There are physical risks and opportunities associated with rising mean global temperatures, rising sea levels and increased severity of extreme weather events, and transitional risks and opportunities as the economy adjusts to a lower carbon future. These risks are deeply embedded across the financial system. Accordingly, climate change and the transition to a net zero emissions economy present significant risks and opportunities for the value of our members' investments. A planned transition to a low carbon economy is preferable to a disorderly transition on the basis that a planned transition will result in better economic outcomes, is better able to take account of the needs of various stakeholders, and better manage uncertainty and volatility.

Our further comments are set out in this submission. I trust they are of assistance.

Please contact me or Kate Griffiths, ACSI's Executive Manager - Public Policy and Advocacy, should you require any further information on ACSI's position.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Louise Davidson', is written over a light blue horizontal line.

Louise Davidson AM
Chief Executive Officer
Australian Council of Superannuation Investors

OVERVIEW

Climate change presents risks to investment returns, financial stability, communities and economies. The decisions made today in respect of managing the risks associated with climate change will have a material impact on the superannuation returns of millions of Australians in the future.

A critical mass of countries, investors and companies are transforming their economies and business and investment strategies in line with the ambitions of the Paris Agreement. Most of Australia's significant trading partners have made commitments to be net-zero by 2050 or to significantly scale up their commitments. Net zero commitments now cover 77 per cent of Australia's exports to our top 20 trade partners.

These signals are important and demonstrate that the focus is now on how the objectives of the Paris Agreement are to be achieved. Despite these international signals, there is still significant investment risk that stems from the current national policy uncertainty in Australia.

Investors are seeking to manage this risk in a number of ways, including by encouraging their investee companies to take action to mitigate climate related risks, and disclose appropriately.

However, investors also need greater policy certainty. As countries seek to attract private capital to stimulate the economy, those that integrate long-term opportunities, such as achieving net zero emissions by 2050, and mitigate risks, will be in a better position to attract global private investment¹.

Clearly, coordinated action across a range of levers (including policy, investment, incentives, business and individual behaviour, and technology research development and innovation) is required for effective action².

There are also significant opportunities available to Australia that are currently under-developed³.

Therefore, we support the policy intent of the Bills, which will go to better understanding the risks and alleviating some of the policy uncertainty. An independent and regular national risk assessment, along with a coherent and coordinated national adaptation plan that are underpinned by a commitment to net zero emissions by 2050 (and supported by aligned 2030 targets) will assist investors to manage risk, and therefore unlock private capital into further investment.

We see the Bills' proposals as providing a robust governance framework which will reduce the costs of managing climate change risk by providing clarity, transparency and predictability around government decision making.

CLIMATE CHANGE COMMISSION AND RISK ASSESSMENT

We support the preparation of a regular assessment of the risks associated with climate change, conducted by an independent and suitably qualified organisation.

Based on current available analysis, central banks project that global emissions will continue to grow, leading to over 3 degrees of warming and severe physical risks⁴. These estimates are subject to limitations, for example they do not take into account low-probability high-impact events, extreme events and societal changes like migration and

¹ See for example Zero Emissions Sustainable Returns

https://igcc.org.au/wp-content/uploads/2020/06/Feb2020_IGCC-Zero-Emissions_FINAL-2.pdf

² See for example 'Australia renewable export COVID-19 recovery package' report written by EY (commissioned by the World Wildlife Fund) and ClimateWorks' report Decarbonisation Futures: Solutions Actions and Benchmarks for a Net Zero Emissions Australia.

³ See for example Zero Emissions Sustainable Returns

https://igcc.org.au/wp-content/uploads/2020/06/Feb2020_IGCC-Zero-Emissions_FINAL-2.pdf

⁴ NGFS (2020): <https://www.ngfs.net/en/communique-de-presse/ngfs-publishes-first-set-climate-scenarios-forwardlooking-climate-risks-assessment-alongside-user>

conflict. Impacts could therefore be much larger, with the central banks noting that '...damages in this scenario will be larger than the models suggest, particularly in regions with lower resilience and capacity for adaptation'.

There are a number sophisticated investment tools and research developing to better understand climate risk (both physical and transition) and in turn, mitigate and strengthen resilience.

However, Australia is far from understanding its systemic vulnerability to climate change on a co-ordinated scale. Such understanding would provide a sound basis for mitigation and adaptation plans, as well as support action that allows Australia to take advantage of the significant opportunities. This in turn reduces investment risk, and therefore increases investment opportunity.

Accordingly, we would welcome the establishment of an efficient framework for an integrated and coordinated assessment to better understand the risks as they relate to Australia.

ADAPTATION PLAN AND EMISSIONS TARGETS AND BUDGETS

We would welcome a coherent and coordinated national adaptation plan that is underpinned by a commitment to net zero emissions by 2050 (and supported by aligned 2030 targets).

While adaptation is a risk minimisation response, when combined with a net zero by 2050 target, this would present opportunities, given that policy and regulatory uncertainty is currently a significant barrier to investment.

We do however note the challenges that have dominated the policy and regulatory landscape in Australia. Therefore, we support the principles set out in sections 10 to 16 of the draft Framework Bill, and, in particular, the principles of effective, efficient and equitable action (section 10) and fair and employment transition (section 14). Section 19(3) of the Framework Bill would be enhanced by requiring the adaptation plan to outline how the principles set out in sections 10 to 16 of the Framework Bill are reflected in the adaptation plan.

Our support for a commitment to net zero emissions by 2050 (supported by aligned 2030 targets) reflects the long-term approach to investment of our members. Institutional investors take a long-term view on investment and seek to manage risks across the whole economy and their portfolios. Specifically, for institutional investors a credible long-term strategy would support management of transition and physical risks and opportunities across entire investment portfolios. Greater transparency around future policy direction would enhance the efficient allocation of capital by supporting investors in better pricing current and future climate risks.