

From: Warwick Giblin
To: [fracking inquiry](#)
Subject: Climate change now a material risk, says APRA
Date: Wednesday, 12 July 2017 8:49:00 AM

Dear Inquiry Team,

Could you please draw the Panel's attention to the article below.

In light of APRA's position, it would be appreciated if the Panel could please ensure the economic analysis work being undertaken by the expert consultants addresses this important aspect.

Your response is welcomed.

Sydney Morning Herald 17 feb 2017

Climate change a 'material' risk for the financial system: APRA

Clancy Yeates

Published: February 17 2017 - 3:54PM

Australia's powerful financial regulator has revealed it views **climate change as a "material" risk** that it will be watching much more closely in its monitoring of banks, insurers and wealth managers.

Geoff Summerhayes, an executive board member of the Australian Prudential Regulation Authority, on Friday made the first detailed comments from a domestic regulator on how they are responding to financial risks created by global warming.

As global regulators also turn their sights to these risks, Mr Summerhayes signalled APRA would be looking more closely at how the financial system may be affected by a move away from carbon-intensive energy.

It also expects big companies to carefully consider these risks, and warned that company directors could be liable if they failed to do so.

Mr Summerhayes said climate change was often seen as a "future problem" or a "non-financial" one, but APRA did not view it this way.

"Some climate risks are distinctly 'financial' in nature. Many of these risks are foreseeable, material and actionable now," he said.

"Climate risks also have potential system-wide implications that APRA and other regulators here and abroad are paying much closer attention to."

Specifically, he emphasised the **financial risks created by changes in laws or technology, as opposed to physical changes in the environment.**

The transition towards less carbon-intensive forms of energy could trigger a "significant repricing of carbon-intensive resources and activities and reallocation of capital," he said.

He said APRA was "keenly aware of potential systemic implications," but it was not possible to properly understand these risks and how they could be averted, unless companies were disclosing enough information and talking about these risks.

Companies should be including climate change in their internal risk management processes, he said, highlighting that Australia was a signatory to the Paris Climate Agreement, a pledge to limit global warming to a temperature increase of no more than 2 degrees.

He also referred to a legal opinion from barrister Noel Hutley SC that found company directors could be personally liable if they fail to properly consider and disclose climate related risks they could have foreseen.

It comes after a **business taskforce working under the Financial Stability Board in December recommended new guidelines pushing for listed companies to disclose**

more information on how they were handling the risks of climate change.

This story was found at: <http://www.smh.com.au/business/banking-and-finance/climate-change-a-material-risk-for-the-financial-system-apra-20170217-guffhm.html>

Kind regards,

Warwick

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*Delivering **true** progress*



<http://www.ozenvironmental.com.au/>

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