

Climate Change and the Private Sector



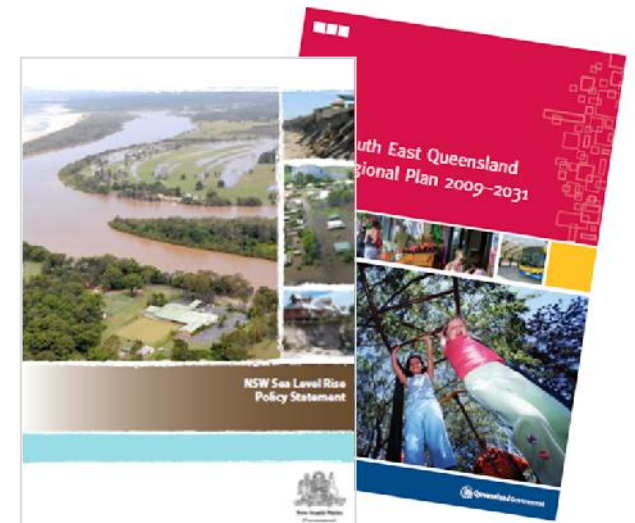
Donovan Burton - 3rd Asia-Pacific Climate Change
Adaptation Forum, Incheon, 20th March 2013

Outline

- Corporations through a climate lens - trigger points (Adapt to What?) (CITB)
- Insurance as risk transfer (good and bad)
- Systems exposure – ripples of impacts

Trigger Points

- **Emerging policy & regulation (Govt de-risking)**
 - Planning
 - Sea level rise (heatwaves, bushfires, hail, flood)
 - Growing quickly
 - May erode asset value overnight
 - Legal conflicts



Trigger Points

- **Contracts**
 - Supply chain agreements
 - Development deliverables and penalties
 - Validity of force majeure (was an event reasonably foreseeable ?)



Trigger Points

- Investment portfolios – especially long term (e.g. Superfunds)



Trigger Points

- **Due Diligence**

- Investment portfolios – especially long term (e.g. Superfunds) – disclosure of known risks?



Trigger Points

- **Due Diligence**

- D&O expectations & liabilities – shareholder pressure
- Impacts from shifting markets (think smart phones, renewable energy & hover cars)
- Sector failure (e.g. agriculture, fisheries, forestry)



Mal- Adaptation

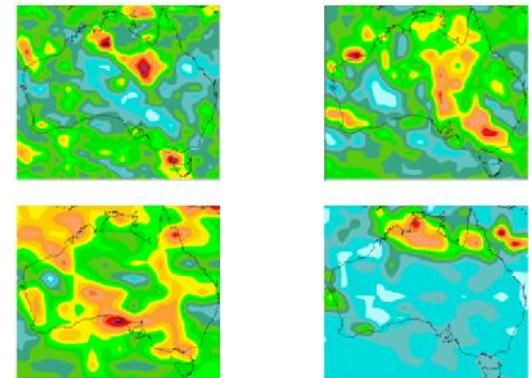
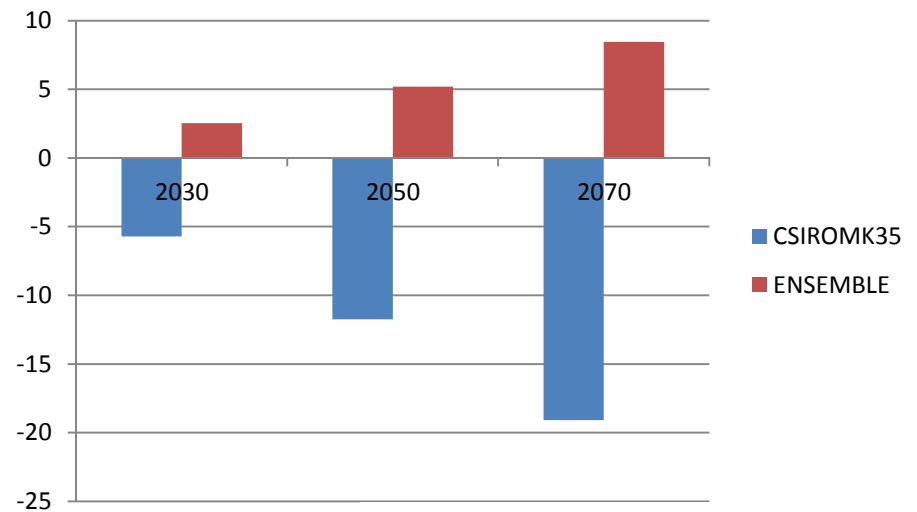
- The unforeseen versus the “should haves”
 - e.g. Operating manuals, sea walls, emerging technologies



Mal- Adaptation

And what are the ramifications of getting it wrong?

- Increased exposure (damaged assets)
- Litigation (developers, consultants, councils, etc)
- Over adaptation?

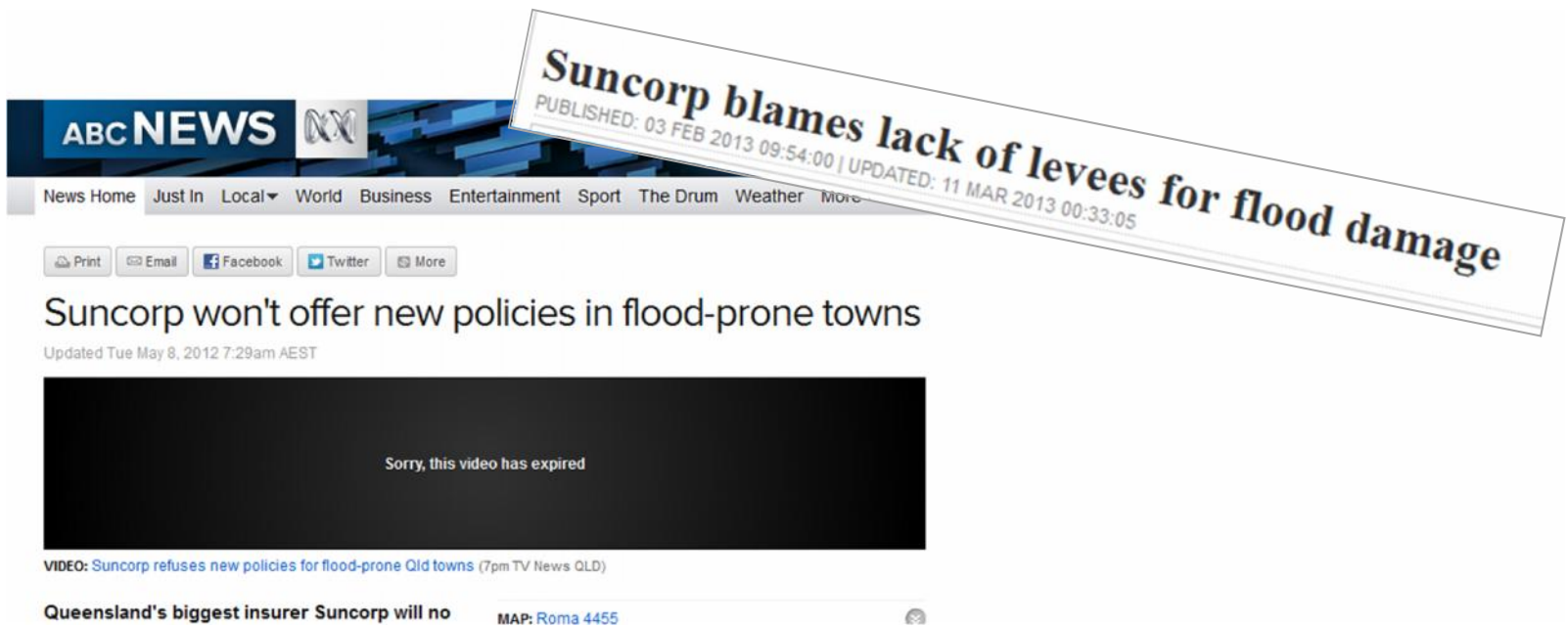


(insurance as) Risk Transfer

- Not simple as saying its good or bad
- Insurance availability and affordability is not guaranteed – some markets and locations may be uninsurable
- Small percentage of insurers seem to understand the climate change risks to their portfolio (CERES 2013)
- What about climate regime shifts ?
- Insurance and Mal-Adaptation ?
- SME's underinsured

Ripples of impacts

- Insurance price signal or insurance remove coverage
 - Ripples of market failure emerging



The image shows a screenshot of an ABC News article. The article title is "Suncorp blames lack of levees for flood damage". The publication date is "PUBLISHED: 03 FEB 2013 09:54:00" and the update date is "UPDATED: 11 MAR 2013 00:33:05". The article content includes the headline "Suncorp won't offer new policies in flood-prone towns" and a sub-headline "Queensland's biggest insurer Suncorp will no". A video player is present, but it displays the message "Sorry, this video has expired". The video title is "VIDEO: Suncorp refuses new policies for flood-prone Qld towns (7pm TV News QLD)". The article also includes a "MAP: Roma 4455" link.

Take home message

- Climate impacts (and associated responses) may result in a GFC on steroids. Insurance can be a conduit for change or a trigger for failure
- Coping and risk management of extreme weather events requires a systems approach
 - insurance, forecasting, adaptive operation strategies, strategic foresight, climate regimes, full use of historical information (e.g. reanalysis) and climate legal risk
 - and appropriate consideration of community vulnerabilities, uncertainties and communication requirements.



Extra Slides



Climate Change in the Boardroom

- Collective approach across a range of expertise and experience
- Large polluters are perhaps the best at adapting
- Private sector are weary about sharing information
- Regulatory risk is an immediate threat
- Limited understanding of climate legal risk
- Lots of climate change risk sector gaps



Private Sector and Stakeholder Engagement

- Don't assume the private sector know that they need to adapt
- Don't assume that they see incentive in engaging – they may prefer to use their lobby groups and networks for direct engagement
- Adaptation has trade offs – start planning for them early.