



Insurance Council
of Australia

Accelerating Climate Action

Policy recommendations
for government



With thanks

Thank you to the Insurance Council of Australia members, particularly the Climate Change Action Committee and Net Zero Working Group who assisted in the development of these policy proposals

Acknowledgement of country

The Insurance Council of Australia acknowledges the Traditional Owners of country throughout Australia and their continuing connection to land, culture, sea and community. We recognise the tens of thousands of years of continuous custodianship and placemaking by First Nations peoples and their proud role in our shared future. This report was produced on the lands of the Gadigal people of the Eora Nation. We pay our respects to Elders past, present and emerging.

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Government and industry leadership on climate change

Australian Government leadership on climate change, demonstrated through the setting of strong national emissions reduction targets, has an important role to play in accelerating the decarbonisation of our economy in a fair and equitable way.

Unchecked climate change could shrink Australia's GDP by 6 per cent by 2070 – a \$3.4 trillion loss in GDP in present value terms.¹ With \$20 trillion expected to be invested in Australia's economy out to 2050, there is substantial new capital that can be leveraged to accelerate Australia's transition.²

The ICA is advocating for:

- ▶ **The Australian Federal Government to set a science-based emissions reduction target for 2035, that is Paris aligned and consistent with IPCC timeframes. The Paris agreement calls for holding the increase in temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C.**
- ▶ **The government to introduce a comprehensive set of policies that accelerate Australia's transition to net-zero.**

We welcome the Climate Change Authority regularly reporting on Australia's progress against national emissions reduction targets and the handing down of a science-based recommendation for Australia's 2035 emissions reduction target.

- ▶ **The ACCC to provide guidance to businesses and industry associations on collaboration and cooperation agreements in support of climate action across an industry.**

This guidance would assist insurers to better understand how competition law applies to such arrangements and specifically how to build and share best practice on emissions reduction across industry in order to achieve climate and sustainability goals.

1. deloitte-au-dae-new-choice-climate-growth-051120.pdf

2. Spending \$20 trillion differently: Australia's opportunity in a low emissions world – NAB News





Ensure future homes are built smarter, safer and healthier

Future homes should be built to a smarter and more durable standard, ensuring that they are more affordable to live in and better at keeping people cool in summer and warm in winter. This will deliver significant benefits to Australian communities and help to decarbonise Australia's built environment.

Energy efficient homes are more comfortable to live in, cheaper to run and less emissions intensive. In some cases, energy efficient design can also make a home more resilient. Insurers can play a role by encouraging households to improve energy efficiency through campaigns and product offerings.

The ICA is advocating for:

- ▶ **Improving home energy efficiency which will reduce energy use and make homes more liveable, while reducing emissions that contribute to worsening extreme weather events.**

The ICA welcomes state and territory governments prioritising the introduction of 7-star energy efficiency into the National Construction Code (NCC) for 2023. It is now necessary to aim for net-zero regulated energy (and carbon) buildings in the NCC for implementation after 2030, noting potential additional risk factors should also be integrated into decision making. This will greatly assist Australia in meeting its international commitments and recently legislated targets to reduce greenhouse gas emissions, whilst assisting in reducing home energy bills and making the home more comfortable to live in. Australia's existing housing stock also requires energy efficiency upgrades to improve liveability for home-owners and renters, for example via rebate schemes.

- ▶ **State planning and design policies that ensure new homes are built to mitigate and adapt to the risk of climate change.**

For example, state and territory governments have a role in ensuring that their strategic planning instruments and policies consider current and long term future extreme weather risk, and that local government planning ordinances do the same. This would assist in ensuring communities and buildings are located in lower risk areas. This approach will complement parallel initiatives, such as integrating resilience into the National Construction Code.







Accelerate Australia's electric vehicle transition

Transport is Australia's third largest and fastest growing source of greenhouse gas emissions.³ Electrification of Australia's transport sector, including the electrification of passenger and commercial vehicles, will play an important role in decarbonising our economy.

Insurers are looking to reduce emissions across their operations, investments, underwriting and supply chain, and a faster transition to electric vehicles in Australia will facilitate faster decarbonisation. Insurers and governments can work together on a range of policies to accelerate this transition.

The ICA is advocating for:

► Investment in electric vehicle charging infrastructure and improved national coordination.

The federal and state governments should build on existing funding commitments to improve coordination of electric vehicle charging infrastructure investment. Where appropriate, co-investment in this infrastructure could occur alongside insurers. In addition, governments can explore with the private sector how to provide financial incentives to reduce the cost for home and commercial charging installation. National coordination is required to ensure infrastructure is built where it is most needed.

Insurers, peak bodies, and state governments should collaborate to chart a path for insuring and encouraging the uptake of charging infrastructure in the home. This includes retrofitting charging infrastructure into existing housing and future-proofing new housing by ensuring all new builds are EV-ready. This includes improved compliance with existing standards on EV charging installation.

► Investment in upskilling existing technicians and training technicians of the future.

Skill shortages in electric vehicle repair is one factor that can contribute to delays in fixing a vehicle after an accident, which can increase cost and inconvenience to the consumer. To address this skills gap, state governments should prioritise and fund micro-credentials in electric vehicle repair to assist in upskilling existing mechanics, as well as adding electric vehicle repair to state-based training programs for school leavers & subsidising this training. Governments should strive to improve technicians' access to essential information on all electric vehicles in Australia to enable them to be safely repaired. This should start with a state government commitment of at least \$1 million per state to set up a pilot program, which could be rolled out, and supported by the Federal Government's New Energy Skills Program. The Victorian Government is already progressing this, with a pilot program to upskill 500 electricians before developing a new course.⁴

3. <https://www.climateworkscentre.org/wp-content/uploads/2020/06/Net-Zero-Tracker-Transportation-Sector-Report-June-2020.pdf>

4. Creating An Expert Electric Vehicle Workforce In Victoria | Premier of Victoria



► **Governments to support the Australian Battery Recycling initiative to expand the battery stewardship scheme to include electric vehicle batteries.**

Safely and effectively recycling new energy technology, such as electric vehicle batteries, will be important to enable the responsible management of these assets through to end of life.

► **Reform of the laws governing written off vehicles to enable more vehicles to be safely repaired instead of scrapped, including electric vehicles. For example, the NSW government should amend the written-off vehicle scheme.**

These reforms will be critical to strengthening the circular economy and will help to grow the second-hand electric vehicle market in Australia, contributing to an increase in supply.

► **The Federal Government to introduce a scheme to incentivise the purchase of electric light and heavy commercial vehicles for business.**

Light and heavy commercial vehicles are used by insurers across their operations, especially for roadside assistance. Light commercial vehicles and rigid trucks also produce 17 per cent and 9 per cent of Australia's transport emissions respectively, yet there is no national policy to encourage electric vehicle purchases for businesses. A rebate or taxation concession scheme would encourage Australian businesses to replace ageing commercial vehicles and trucks with more efficient electric alternatives, reducing long-term operating costs and emissions. This would help to overcome the currently high purchase price of these types of vehicles, which is a major barrier to stronger uptake, especially for smaller businesses with lower margins.



Unlock net-zero investment

Globally, action to accelerate the shift of funds to net-zero investment categories is becoming a higher priority for regulators and governments. In Australia, sustainable taxonomies, disclosure and policy will all play an important role in stimulating net-zero investing.

The ICA is advocating for:

► **The development and implementation of an Australian sustainable investment taxonomy.**

Sustainable finance taxonomies are a set of common definitions that can be used to credibly define, assess and compare sustainable investments, providing investors with confidence.

The ICA is supportive of the Australian Sustainable Finance Initiative (ASFI) developing an Australian sustainable finance taxonomy and would welcome government support, investment and involvement to see the taxonomy finalised and implemented in Australia. The taxonomy development costs are estimated by ASFI to be approximately \$3 million.

► **Streamlined climate and sustainability disclosure.**

The ICA commends the Australian Government's Accounting Standards Board (AASB) on its intention to develop a separate suite of sustainability reporting standards in Australia.

We recognise that the standards are an important next step for consolidating financial-related sustainability disclosures. Importantly, these standards must be interoperable with the International Sustainability Standards Board (ISSB), acknowledge the lack of measurement methodologies available for some investment asset classes, underwriting and supply chain emissions and take a phased approach to implementation.



► **Clear, long term, renewable energy policy.**

The frequently changing and short-term focus of federal renewable energy policy in Australia has curbed clean energy investment and slowed the pace of the energy transition. Clear targets to significantly increase Australia's share of renewable energy by 2030, co-investment in the development of Renewable Energy Zones and transmission infrastructure, and increased investment in new clean energy industries and green manufacturing will be critical to enabling a smooth transition. It will also provide clean energy investors, including insurers, with greater confidence to invest in capabilities that will support them to lower emissions in their investment and underwriting portfolios. We welcome the commitment by the Federal Government to substantially expand transmission infrastructure to reach 80 per cent renewables by 2030.

► **Restoring confidence and integrity to Australia's carbon offsets regime.**

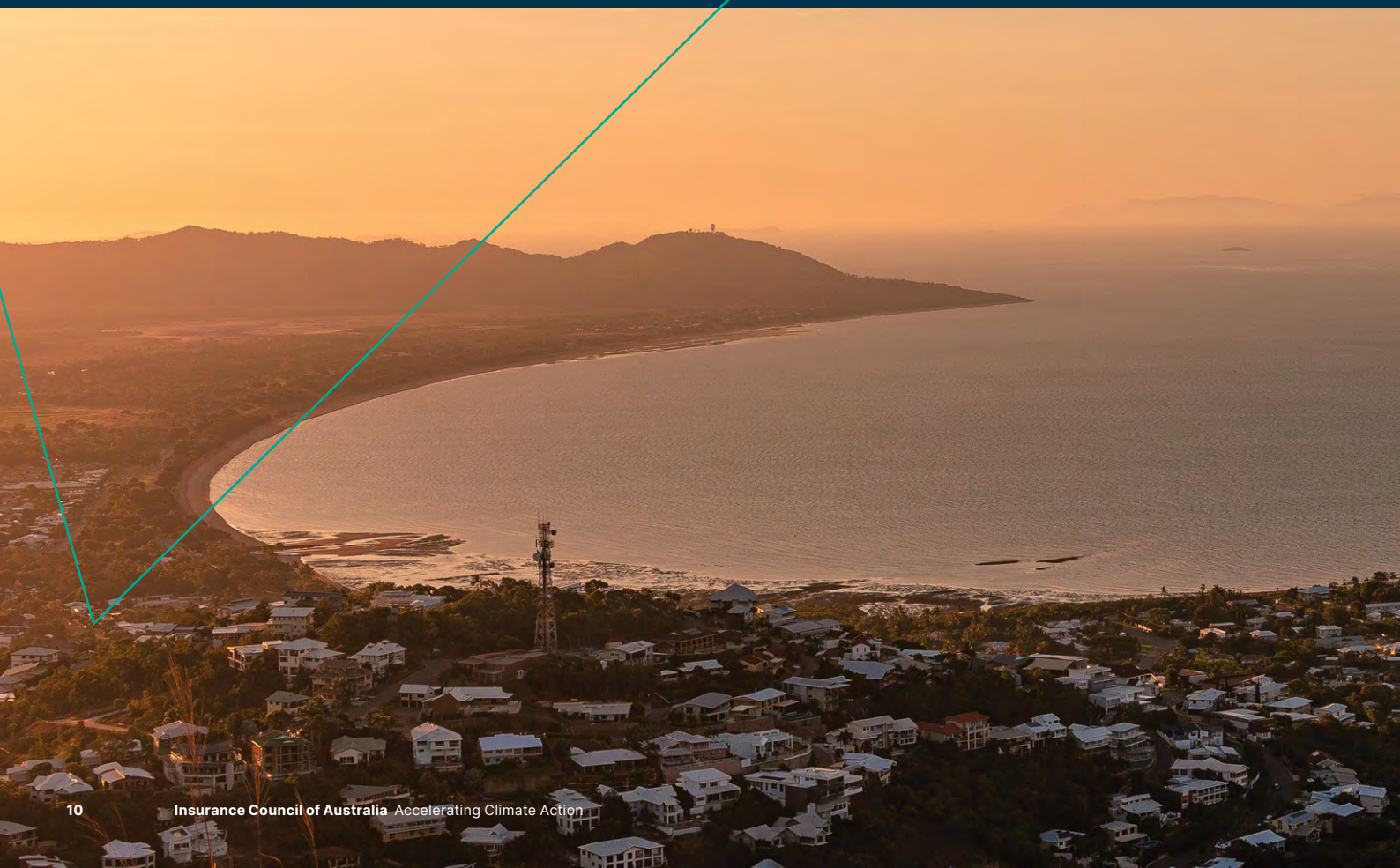
Carbon offsets have a short-term role to play in reducing emissions, especially for sectors where emissions are hard to abate. The best net-zero strategies make use of high-quality offsets that have a strong audit trail and sequester additional carbon for long time spans. A rigorous carbon offsets regime with methodologies informed by the best available science will ensure that insurers can have faith in the integrity of the system and guarantee that purchased offsets are real and additional. We welcome the independent review committed to by the Federal Government and being undertaken by Professor Ian Chubb.



Build a national picture of climate risk

As extreme weather risk grows, so do the challenges with the affordability and availability of insurance and the risk to the wellbeing of Australian communities, homes and infrastructure.

Robust, national hazard data that streamlines existing datasets, is accessible to the Australian public, financial services sector and all levels of government will play a critical role in improving and standardising our understanding of climate risk and how we prepare for it. It is also crucial to streamline disaster mitigation and response across federal government departments.



The ICA is advocating for:

- ▶ **Australian, state and territory governments to work to update and standardise existing and future climate hazard data, considering long-term time horizons and prioritising the high impact perils of flood, bushfire, cyclone and coastal erosion.**

This data should consider the full spectrum of possible event occurrence for each peril, be nationally consistent and publicly available, to establish a national public baseline that can better inform land use planning, building codes and standards and understanding of current and future risk. Government funding to support an existing national agency to execute this work will be critical, as well as identifying opportunities for industry, government and other partners to further collaborate to continue to build a shared understanding of risk.

- ▶ **An asset register.**

A nationally consistent asset register of buildings should be established containing important risk and resilience characteristics. This may include information such as the following: housing construction type, wall construction, roof type, year of construction, floor height, BAL rating, renovations and retrofitting works. This is essential for current and future homeowners and renters as well as emergency services, insurers and banks to better understand climate-related impacts on the infrastructure. This register could begin by prioritising the high hazard zones in Australia.

- ▶ **An impact register.**

An impact register should be developed to include a post-event hazard footprint that includes current and historical event hazard data to improve understanding of impacted areas. For example, after a flood it should include the depth of water experienced at properties. This register could begin by prioritising the high hazard zones in Australia.





Increase investment in resilience

Improved national hazard data will help to better guide resilience investment. Without increased funding to make Australian homes, businesses, and communities more resilient, coupled with a change in approach to what we build and where we build it, the risk profile of communities exposed to worsening extreme weather will not change.

The ICA is advocating for:

- ▶ **Increased Australian Government investment in extreme weather resilience measures from \$100 million to at least \$200 million a year, or \$1 billion over the next five years, matched by the states and territories.**

This is a \$2 billion investment to better protect Australian homes and communities. We welcome the commitment from the Australian Government to improve the resilience of communities through a \$200 million a year Disaster Ready Fund, with co-funding from the states and territories and the \$741 million Resilient Residential Recovery package from the Queensland Government.



These resilience measures the ICA is calling for include:

\$522m

Local Infrastructure Fund to assess and implement measures to protect communities from floods, such as levees and floodways;

\$712m

additional fuel management program to reduce the risk of bushfires across the nation using a variety of methods;

\$221m

cyclone proofing individual homes across northern Australia;

\$37m

flood early warning systems to provide longer lead times on flood warning systems to support emergency preparation for communities;

\$431m

wet flood-proofing existing homes to allow flooding through buildings, raising utilities above flood level, and using water-resistant materials below flood level;

\$10m

Local Infrastructure Fund to assess and implement measures to protect communities from floods, such as levees and floodways;

\$85m

for detailed cost and benefit analysis of these measures.



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About the Insurance Council of Australia

The Insurance Council of Australia is the representative body for the general insurance industry of Australia. Our members represent approximately 90 per cent of total premium income written by private sector general insurers, spanning both insurers and reinsurers. Our work with our members, consumer groups and all levels of government serves to support consumers and communities when they need it most.

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