

Concept Note: New process on climate risk and resilience to inform the National Cabinet

Background

There have been consistent calls for a new process to connect public and private sector activity on climate risk and resilience and facilitate coordination of resources, effort and expertise. This was a key conclusion from the Centre for Policy Development's November 2019 business roundtable on climate change, which involved senior business, legal, union, civil society, regulatory and policy leaders.

The need to coordinate the significant activity on climate risk and resilience across many departments, regulators, investors and industries was reinforced by the 2019-2020 bushfire crisis. The financial and economic dimensions of climate change are central to many of the public, regulatory and private sector initiatives underway. These include the Council of Financial Regulators Working Group on Climate Risk, the Australian National Outlook Project, the National Resilience Taskforce, the Disaster and Climate Resilience Reference Group, APRA's climate change financial risk vulnerability assessment and a range of industry-led efforts including the Australian Sustainable Finance Initiative, Climate Action 100+, and the Global Commission on Adaptation.

The transition to a new National Federation Reform Council structure provides an opportunity to enshrine a new intergovernmental process on climate risk and resilience. The new process could be loosely modelled on the 2006-07 Joint Government Business Prime Ministerial Task Group on Emissions Trading chaired by Peter Shergold AC. This model enables senior representatives from financial regulators, state governments, the private sector, unions and civil society to participate.

Overview of proposal

The new intergovernmental process would:

- Focus on climate risk and resilience to enable jobs and investment in a challenging natural environment, informed by the implications of climate change for financial stability, economic growth, risk management and corporate governance.
- Provide a platform for high-level engagement by Commonwealth and state senior officials alongside financial regulators and business leaders.

Two potential and complementary models under the new National Federation Reform Council structure outlined by the Prime Minister are worthy of consideration:

- Incorporating an explicit focus on climate risk and resilience as part of the new **Council on Federal Financial Relations (CFFR)**. This would frame climate risk as a key economic issue to be considered by Treasurers and officials as part of a wider economic policy agenda, reflecting increased emphasis on climate risk, resilience and transition by the Council of Financial Regulators and state treasuries.
- Establishing a new ministerial forum or taskforce on climate risk and resilience, built around a 'Senior Officials Plus' model that allows direct participation by selected financial regulators and leaders from business, unions and civil society. This taskforce would be chaired (or co-chaired) by the Secretary of the Treasury or Secretary of the Department of Industry, Science, Energy and Resources as appropriate, and supported by a government and business secretariat. It would report to the **CFFR** and the **National Cabinet**. The structure would be similar to the 2006-07 Joint Government Business Prime Ministerial Task Group on Emissions Trading.

Process and next steps

We are seeking feedback from stakeholders to help refine the proposal for further dissemination following the second *Climate & Recovery Initiative* roundtable.