

## RBA net zero update can protect economy

- *An expanded climate role for central bank can steer Australian economy through orderly transition*
- *Review submission urges explicit net zero objective for central bank for management of climate-related risks and opportunities*
- *RBA climate risk disclosures, green sovereign debt and climate rules for bond issuers among recommendations*

**MONDAY 7 NOVEMBER 2021** – A stronger climate role for the RBA will help Australia navigate the transition to net zero smoothly, without damaging the financial system.

A Treasury submission by the Centre for Policy Development (CPD) says the RBA review should consider updating the central bank’s 63-year-old legislative mandate to consider sustainability, climate risks and opportunities, and the maintenance of net zero carbon emissions.

Recommendations also include an expanded role for green bonds in line with international practice, more advice from the Bank on economic responses to climate change, clear risk disclosure, and tighter expectations on corporate bond issuers.

The submission draws on CPD’s history of work on the economic and legal frameworks needed to navigate climate change.

In 2019 CPD hosted [a landmark address by then-RBA Deputy Governor Dr Guy Debelle](#) in which he emphasised the importance of an orderly climate transition to financial stability, saying, “Decisions that are taken now can have significant effects on future climate trends and can limit or eliminate the ability to mitigate the effect of those trends,” and that, “Financial stability will be better served by an orderly transition rather than an abrupt disorderly one”.

This followed the influential Hutley Hartford-Davis opinions which led to interventions on climate risk and greenwashing by the corporate and banking regulators, and Treasury.

Earlier this year, CPD published a [discussion paper on the interactions between inflation and climate change](#), as well as [Raising the Bar](#), a report on climate governance in government-owned corporations.

**Centre for Policy Development Sustainable Economy Director Toby Phillips** said financial stability could only be assured with an orderly climate transition and that the central bank should play a central role in delivering it.

“Australian wellbeing depends on an orderly transition to a steady net zero economy and a sustainable natural environment.



“Updating the RBA toolkit so it can protect Australian wellbeing with a stable financial system and a smooth transition is the most sensible reform we can make.”

“The Reserve Bank is governed by a 63-year-old law that requires the RBA Board to contribute to economic prosperity and welfare. It makes sense to update this mandate to account for the realities of climate change and the need for a swift, just and orderly transition to net zero emissions to maintain the stability of the financial system.

“The impacts of climate change are already with us and the costs they impose on us are real and growing.

“An orderly transition to a net zero economy requires alignment across all aspects of policymaking, including the Reserve Bank’s control of monetary policy.”

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