HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS

Westpac Banking Corporation

WBC08QON: **Mr BANDT:** Coming back to that point about transition that you raised, can you outline what scientific reporting or other form of analysis you relied on to suggest that, in any transition to a 1½- or two-degree world, there's a role for expansion of fossil fuel?

Mr Hartzer…I'm happy to take on notice who we consult with in the establishment of those policies.

Answer: Our approach to sustainability is supported by a number of internal governance committees and external stakeholder forums. Details of our approach to engaging stakeholders (including in relation to policy development) are set out in our 2019 Sustainability Performance Report.

Our approach to climate change is outlined in our Climate Change Position Statement, which is available on our public website. We review this every three years and will release an update in 2020.

Our scenario analysis is aligned to the recommendations of the TCFD to assess risks and opportunities that might arise under different climate change scenarios. Our reference scenario was informed by the International Energy Agency's Sustainable Development Scenario, the International Renewable Energy Agency's Renewable Energy Roadmap and the Intergovernmental Panel on Climate Change (IPCC) Special Report on Global Warming of 1.5-degrees. Our approach is explained in our 2019 Annual Report.

In our 2019 Sustainability Performance Report we noted the findings from our scenario analyses, as follows:

The pathway to 1.5 degrees required quicker and deeper cuts in more rapid deployment of renewables and was relatively more disruptive to sector performance and economic growth, particularly over the short and medium term, when compared to the 2-degree scenarios. Employment growth was not as heavily impacted because Australian jobs are concentrated in relatively few industries that are generally not emissions intensive, including the services industry.

Decarbonisation of the Australian electricity market played a critical role in achieving the transition to a lower carbon economy under the modelling. The modelling results showed:

- *thermal coal demand for electricity generation declining under both scenarios*
- *gas playing a transition role over the short and medium term under both scenarios before a trend to lower-cost renewables by 2050. This transition was faster under the 1.5-degree scenario*
- *new investment in solar and wind, supported by grid-scale batteries bringing the renewable energy mix to 85 per cent and 95 per cent by 2050, for 2-degree and 1.5-degree scenarios, respectively*
- *demand for electricity continuing to rise as other sectors decarbonise through the electrification of fuel; offsetting improvements in efficiency, demand management and rooftop solar.*

Westpac's exposure to mining (in general) is around 1 per cent of our Total Committed Exposure (TCE). Coal mining is around 0.07 per cent of TCE. The majority of this is exposure to metallurgical coal.