Joint Committee on Trade and Investment Growth

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Inquiry into the prudential regulation of investment in Australia's export industries

Division:	Environment Industry and Infrastructure Division
Topic:	Thermal coal export demand
Reference:	Spoken p. 2 (13 August 2021)
Senator:	George Christensen

Question:

CHAIR: You might take this on notice before I move on. Has the Treasury done any modelling or does it have any predictions as to when the demand for thermal coal exports from Australia will be nought? I'll rephrase that: how long does the Treasury foresee thermal coal exports to be in demand from this country?
Mr Tease: I might take that on notice. Both Mr Milnes and I don't work in the forecasting area of the Treasury. Also, the longer run forecasts of commodity exports are, I think done by DISER. You may be talking to them later in the day. I'll take that on notice and see whether we have any information ourselves.

Answer:

Treasury's forecasts demand for Australian coal exports, which are used as an input to its economic forecasts. The coal forecasts are based on market analysis, input from the Department of Industry, Science, Energy and Resources (DISER) and industry liaison. DISER's June 2021 forecasts expect world trade and Australian exports of thermal coal to be higher in 2023 compared with 2021. DISER's forecasts are available here:
https://publications.industry.gov.au/publications/resourcesandenergyquarterlyjune2021

Joint Committee on Trade and Investment Growth

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Inquiry into the prudential regulation of investment in Australia's export industries

Division: Environment Industry and Infrastructure Division
Topic: Resources industry insurance
Reference: Spoken p.3 (13 August 2021)
Senator: Ged Kearney

Question:

Ms KEARNEY: Thank you for that. Interestingly, we had a submission by an organisation called Picnic Labs Limited, who flagged the idea of an insurance mutual for the resources sector, where companies would pool funding to provide self-insurance for risk-acing industries. I note there is an article in the Sydney Morning Herald about this this morning, and the Minerals Council seems to have weighed in behind this idea. I would be interested to know your views on that, whether that would be a viable thing. I am wondering if the minister or anyone has asked us the department to provide advice on the scheme? Has he received a briefing or any memos on this scheme? Is there any work being done on the feasibility of this idea? Has Treasury met with any non-government third parties about this? Is there any work going on about this idea that seems to be getting a bit of attention at the moment?
Mr Tease: I read that story in the Sydney Morning Herald this morning as well and it is certainly the first I've heard about. I would note that Mr Milnes and I don't work on insurance matters so I can't say definitively. We haven't reviewed it, so I would have to take that question on notice and ask my insurance colleagues.

Answer:

Treasury has not undertaken any analysis regarding the feasibility of this scheme.

Joint Committee on Trade and Investment Growth

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Inquiry into the prudential regulation of investment in Australia's export industries

Division: Environment Industry and Infrastructure Division
Topic: Bank of Japan green fund
Reference: Spoken p.3 (13 August 2021)
Senator: Ged Kearney

Question:

Ms KEARNEY: That would be helpful, thank you. One interesting thing that I heard recently and I think it came up. It might have been in one of your reports that the Bank of Japan is starting a green fund that will establish a climate based lending facility, linked to green and sustainability funds and loans and transition finance. It is interesting. Can you tell us a little bit about that? Do you think there any implications for Australia? Are those sorts of activities emerging in other central banks at the moment? Am I being clear about what I am referring to?
Mr Tease: Yes, you are being clear. I might start off generally and take the specific question about the Bank of Japan's green fund on notice because am not aware of that. In general, central banks are paying more attention to climate change for a number of different reasons. A part of a central bank's remit is the stability of the financial system. To the extent that climate change is embedding risks that may increase over time in financial entities then it is important that central banks monitor and assess those. One of the ways that we are doing that globally is there is a range of climate vulnerability assessments going on around the world about climate risks embedded in the financial system. That is being led by APRA in Australia but we in the Reserve Bank are involved in that as well. Also to the extent that climate shocks have an impact on the path of the macro economy, central banks are considering that as well.. So the answer to you general question is central banks are paying much more attention to climate change. As to your specific question around the Bank of Japan's green fund, I will have to take that on notice.

Answer:

Japan's central bank – the Bank of Japan (BoJ) – recently announced a series of incentives for climate-linked loans and investments to assist financial institutions address climate change related issues. This includes a BoJ lending facility (to be launched at the end of 2021) which will offer interest-free loans to banks so they can in turn provide financing for projects and investments that contribute to Japan's actions to address climate change. The program will run to 2031.

Treasury has not performed any specific analysis on the Japanese climate-linked loan facility. However, Treasury continues to monitor and analyse broader trends in sustainable finance, and to engage in relevant international fora. This includes Treasury's participation in the G20 Sustainable Finance Working Group.

Joint Committee on Trade and Investment Growth

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Inquiry into the prudential regulation of investment in Australia's export industries

Division: Environment Industry and Infrastructure Division
Topic: Thermal coalmining sector closures
Reference: Spoken p.6 (13 August 2021)
Senator: George Christensen

Question:

CHAIR: I'll give you one that's not a hypothetical. I was specifically contacted by a mining company yesterday who informed me that they cannot find finance and that potentially one month of not having any finance whatsoever will lead to a business closure. It was a thermal coalmining company. If this happened across the entire thermal coalmining sector, to give you a very specific example and one you can probably take on notice, I want to know what the impact to the Australian economy would be.
Mr Tease: I'll take that one on notice.

Answer:

Treasury has not modelled a scenario estimating the economic impact of the closure of the thermal coal mining sector.

Joint Committee on Trade and Investment Growth

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Inquiry into the prudential regulation of investment in Australia's export industries

Division: Environment Industry and Infrastructure Division
Topic: Sector finance
Reference: Spoken p.7 (13 August 2021)
Senator: Ged Kearney

Question:

Ms KEARNEY: I think another way to look at that is that, if finance companies were compelled to offer finance to businesses despite their risk analysis telling them that they shouldn't—that it, it doesn't meet their risk analysis criteria for a loan but they were compelled to do that anyway—would there be an impact on the economy broadly if it turned out that their risk analysis was correct and it was a poor investment? I think that there is another side to that question, so maybe we could add that to your question on notice. Thank you, Chair.
Mr Tease: I'll take that on notice. We did partly address that in previous answers, but we can address that more for you.

Answer:

Financial institutions are subject to financial and other risks. Prudent risk management helps to protect the interests of beneficiaries of APRA-regulated institutions, underpin the financial soundness of banks and other financial institutions and is a key focus of prudent regulation of these institutions. Prudent risk management helps in identifying and managing risks, helping to reduce the likelihood of a risk materialising, and if it does materialise helping to reduce its severity. Regulatory approaches that restrict private lending decisions can distort the efficient allocation of resources in the economy.