



Australian Government

**Department of Climate Change, Energy,
the Environment and Water**

IS24-000011

Dr Jane Thomson
Committee Secretary
Select Committee on the Impact of Climate Risk on Insurance Premiums and Availability
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Dear Dr Thomson

Thank you for the opportunity to make a submission to the inquiry on the Impact of Climate Risk on Insurance Premiums and Availability. As you know, the impacts of climate change are contributing to the increasing severity and frequency of natural disasters around the world. In Australia, this is a contributor to increasing insurance costs for Australian homes and businesses.

Improving insurance affordability will ultimately be driven by reducing exposure to hazards or reducing the consequences of that exposure, through improved preparation and increased resilience. The Department of Climate Change, Energy, the Environment and Water (the department) has a role in developing and implementing measures that increase Australia's capacity to adapt to the risks and impacts of climate change, which contribute to improving insurance affordability over the longer term. Measures outlined in this submission correspond to point (f) of the Select Committee's Terms of Reference: 'the role of governments to implement climate adaptation and resilience measures to reduce risks and the cost of insurance'.

The department also works closely across portfolios with other agencies and departments on programs and policies covered by other elements of the Terms of Reference. For example, the department is represented on governance groups for the Department of the Prime Minister and Cabinet's Insurance Affordability and Natural Hazard Risk Reduction Taskforce, and collaborates with the National Emergency Management Agency, the Department of Home Affairs and other agencies on matters of natural disaster preparedness, resilience and recovery.

Roles and responsibilities for climate adaptation

The department develops and implements climate adaptation policies consistent with the Australian Government's roles and responsibilities in enabling climate adaptation action, as set out in the 2012 agreement by the Council of Australian Governments' (COAG) Select Council on Climate Change. This agreement is based in the recognition that risks will be most effectively addressed by empowering those who are best placed to manage them. The Commonwealth's role in climate adaptation is:

- Providing national leadership on adaptation reform
- Providing nationally authoritative climate science and information
- Managing climate risks to Australian Government assets and services, including investments in public infrastructure

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- Maintaining a strong, flexible economy and social safety net to ensure resources are available to respond to climate change and vulnerable groups are not disproportionately affected.

The Australian Government works on adaptation with state and territory governments and the Australian Local Government Association through the Energy and Climate Change Ministerial Council. This is supported by the Adaptation Working Group, which is chaired by the department and has members representing all Australian jurisdictions.

The rest of this submission summarises the national adaptation policies and climate information policies most relevant to the Inquiry.

The National Climate Risk Assessment and National Adaptation Plan

The government committed \$27.4 million over 2 years in the 2023-24 Budget to deliver Australia's first National Climate Risk Assessment (Risk Assessment) and National Adaptation Plan, to help communities and businesses better understand the impacts of climate change. The first pass report for the Risk Assessment was released in March 2024 and identifies the economy, trade and finance as a system of national importance that is exposed to climate risks. This system covers Australia's interconnected insurance and investment markets, import and export markets, the distribution of goods and services, and institutional arrangements governing economic activities and trade networks across all scales.

The first pass report identifies a total of 56 nationally significant climate risks facing Australia with 5 nationally significant risks within the economy, trade and finance system that cover risks to individual household budgets, production and consumption of goods and services, the Australian economy, the financial institutions and markets, and government finances and capacities.

The second pass assessment is examining 11 priority risks from across 7 nationally important systems and includes risks to the financial system from climate-driven impacts on financial institutions and markets that adversely affect public and private finances and decrease economic resilience. The Risk Assessment's second pass will deliver a detailed analysis on the priority risks and a comprehensive national climate risk overview that can inform the National Adaptation Plan. The National Adaptation Plan will establish a comprehensive framework for adapting to the nationally significant climate risks identified in the Risk Assessment.

The Risk Assessment and the National Adaptation Plan are central to the government's work to strengthen adaptation, reduce climate risk, and ensure Australia can continue to prosper in an increasingly climate-disrupted future.

The Australian Climate Service

As outlined above, the Commonwealth has a responsibility for providing high-quality national climate science and information. The Australian Climate Service (ACS) is at the centre of the government's approach. The ACS was established in 2021 in response to the Royal Commission into National Natural Disaster Arrangements, and connects the Australian Government's climate, natural hazard and socioeconomic information into a single national view to aid decision making on climate risks and impacts.

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The ACS is a partnership of the Bureau of Meteorology, Geoscience Australia, CSIRO and the Australian Bureau of Statistics. It draws together national data, systems and expertise needed to inform climate and natural disaster decision making. The Bureau of Meteorology hosts the Australian Climate Service and is the accountable authority. The department provides governance and strategic policy direction to ensure the ACS is enabled to fulfil its role in informing policy that reduces Australia's exposure and vulnerability to climate risks.

Key deliverables for the ACS include carrying out the technical component of the National Climate Risk Assessment and collaborating on the Hazard Insurance Partnership (HIP) to establish an enduring data asset on insurance affordability, underinsurance, and non-insurance issues to inform policy design and measure progress in addressing these challenges.

As part of the 2023-24 Budget, the government invested \$0.6 million to deliver an independent review of the performance of the ACS and its suitability to deliver Australia's future climate information needs. The review's report was provided to government on 30 April 2024. On 20 June 2024, Assistant Minister for Climate Change and Energy Senator the Hon Jenny McAllister and Minister for Emergency Management Senator the Hon Murray Watt jointly announced the release of the report and provided the initial government response to the review. The initial response comprises:

- Transferring responsibility for emergency management information to the National Emergency Management Agency
- Issuing an interim Statement of Expectations to guide the ACS while the government responds to the review
- Establishing a taskforce in the department to further consider the findings and develop a complete response to the review by late 2024.

These changes will ensure the ACS can focus on developing the tools and information that communities, business and all levels of government need to implement adaptation and resilience measures that reduce the costs and consequences of climate impacts.

Assistant Minister McAllister issued the interim Statement of Expectations to the ACS on 19 June 2024 to provide strategic direction and focus for this transitional period, outlining the National Climate Risk Assessment and Hazard Insurance Partnership as key priorities.

If you would like any further information on these or other climate adaptation initiatives, please don't hesitate to reach out to

Yours sincerely

Kushla Munro
Acting Deputy Secretary
5 July 2024