

28 August 2008

Mr John Carter, Committee Secretary
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

RE: Inquiry into the Effects of Climate Change on Training & Employment Needs

Dear Mr. Carter,

The United Nations Environment Programme Finance Initiative (UNEP FI), Australian signatories, would like to thank you for the opportunity to provide comment to the senate inquiry into the “effects of climate change on training and employment needs”.

Financial institutions (FIs) are under closer scrutiny than ever before. Investors and regulators are increasingly asking challenging questions about corporate governance, the social and environmental impacts of operations and the impact of investments. As both providers of financial products (capital, credit, investment, superannuation, advice and insurance) and through the influence on the economy, in terms of capital allocation, this industry will be particularly effected by climate change. Therefore, it is imperative that the higher education and university sector equip future professionals with the skills and tools to understand and deal with the complexities of climate change and a carbon constrained world.

Background to UNEP FI

The UNEP FI is a global partnership between UNEP and the financial sector. Over 160 institutions, including banks, insurers and fund managers work with UNEP to understand the impacts of environmental and social consideration on financial performance. More information can be found at www.unepfi.org. UNEP FI activities are member driven. The Environment Protection Authority Victoria (EPA Vic) signed a Memorandum of Understanding with UNEP in 2000 to co-ordinate and promote activities in Australasia. We promote the links at all operational levels between environment, sustainability and financial performance, as well as support the initiatives of local signatories. Those signatories include ANZ, NAB, Westpac, VicSuper, mecu, Savings & Loans credit union, Medibank Private, IAG, QBE and Export Finance and Insurance Corporation.

Background

A recent study by FINSIA “Is the financial services industry ready for climate change”¹ identified that a major challenge facing the finance sector is “the skills gap, embracing both a general lack of knowledge as well as a lack of specific expertise in environmental, social and governance (ESG) issues, and in particular emissions trading.”

In addition a report from the London-based Ethical Research Investment Services and the Centre for Australian Ethical Research² in Canberra found that 48% of Australia's largest 200 companies are classified as having a high or very high potential impact from climate change. Collectively, these companies account for more than \$545 billion in market value. It also found that Australian companies were doing less about climate change than their global counterparts.

¹ Financial Services Institute of Australasia, www.finsia.edu.au. “Is the financial services industry ready for climate change?” 19 May 2008

² “The state we’re in: global corporate response to climate change and the implication for investors.” Ethical Investment Research Services. www.eiris.org. July 2008

Alarming, the report found that more than half (53%) of companies in the S&P/ASX200 were considered to have unmitigated risk. In other words, they had not taken sufficient measures to fix the problem and reduce their riskiness for investors. These businesses combined are worth \$605 billion.

Undoubtedly, a significant factor in companies not addressing the complex risks associated with climate change is due to a lack of appropriate skills within organisations to quantify and report on the risks and outline a strategic response to deal with them. In addition significant opportunities presented by climate change may also be missed due to a lack of skills in this area.

Recommendations

The risks associated with climate change will be felt economy wide and will impact companies, their operations, supply chains, assets, future assets and customers. It is vital that the appropriate skills and knowledge are transferred at tertiary education level if future professionals are to be equipped to deal with this incredibly complex issue.

UNEP FI therefore would like to highlight the importance of including climate change related training at all levels of education and disciplines, especially across the finance and commerce streams.

Many specialised courses exist focusing on Environment, Sustainability and Climate Change issues, e.g. Swinburne University of Technology has developed a “National Centre for Sustainability”. However, we would like to emphasize the importance of all disciplines building into their courses mandatory classes that highlight the main issues around climate change and the risks and opportunities faced by that particular field. This is especially the case for business/ commerce/ finance, where, as has already been mentioned, the risks are significant.

UNEP FI, in collaboration with EPA Victoria, the United Nations Institute for Training and Research, and other international signatories, have developed a comprehensive training program for this sector that we would be pleased to share with other educational services. The course “Climate Change: Risks and Opportunities for the Finance Sector” has been completed by hundreds of finance professionals across the globe. It is a comprehensive training program that is an example of the kind of training we would like to see offered as a part of mainstream courses.

International Linkages

We also have an opportunity to educate future professionals in our region. As various reports have indicated the Asia Pacific region will be particularly affected by climate change.³ We also therefore see a responsibility for the Australian education sector to provide climate change training to ensure the appropriate skills are being transferred across our region. In 2007, there were 455,185 international students enrolled at Australian institutions⁴. It is interesting to note that Asia remains Australia’s main source of international students, representing more than four out of every five of Australia’s overseas student market. Growth in enrolments was mostly from India (63.9% between 2006 and 2007), China (18.9%), Thailand (11.9%) and the Republic of Korea (11.3%). These figures indicate that the Australian education sector has a key role to play in ensuring a transfer of knowledge. Furthermore, as competition for international students increases, an education sector that is at the fore of climate change training could represent a key competitive advantage.

UNEP FI would be happy to further discuss the issues raised in this submission. Please do not hesitate to contact me on 03 96952738 or by email liz.compton@epa.vic.gov.au.

Yours sincerely,
Elizabeth Compton
EPA Victoria, Program Manager Australasia – United Nations Environment Programme
Finance Initiative

3 “Climate Change in the Asia Pacific Region”, Drs Benjamin Preston, Ramasamy Suppiah, Ian Macadam and Janice Bathols. 2006. www.csiro.au. A consultancy report prepared for the Climate Change and Development Roundtable. CSIRO Marine and Atmospheric Research. 93pp.

4 Australian Education International, www.aei.gov.au, International Student Data 2007