

# AUSTRALIA'S INTERNATIONAL CLIMATE CHANGE COMMITMENTS IMPACT ON AUSTRALIA'S ECONOMY



## Paris Agreement 2015

*The aim of the agreement is to keep global temperature rise this century to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C, recognising that this would significantly reduce the risks and impacts of climate change.*

- **Nationally Determined Contributions (NDCs)** are the main way countries like Australia respond to climate change under the international 2015 Paris Agreement. Each country decides its emissions reduction targets and how it is going to reach these.
- It is expected that NDCs will become **more ambitious** over time to make sure global temperature does not increase above 1.5 / 2°C.
- Countries need to reach net zero emissions **by 2050** (to prevent more than 1.5°C warming) and at the latest **by 2070** (to have a reasonable chance of staying below 2°C) according to the Intergovernmental Panel on Climate Change (IPCC).
- Australia's current goal to reduce its greenhouse gas emissions is **relatively low** compared to other countries (reducing emissions by 26-28% by 2030, compared to the level in 2005).
- Controversially, the Australian government plans to use 'carryover credits' from the old Kyoto protocol climate change agreement.

## HOW WILL CLIMATE CHANGE AFFECT AUSTRALIA'S ECONOMY?

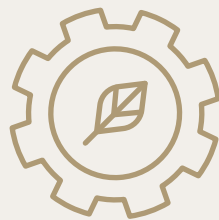
The Australian economy is 'high risk' when it comes to climate-related financial risks.

**Climate-related financial risks (and opportunities) include:**



### Physical

e.g. property, agriculture and the environment destroyed by natural disasters or extreme weather events



### Transition

e.g. assets such as coal mines decreasing in value as people switch to renewable energy, but creating the prospect of new jobs and emerging industries



### Financial

e.g. increased cost to insure property, increased power prices, stranded or impaired assets



### Supply

e.g. difficulty in supply of goods such as food, as industries are impacted

## THE ROLE OF THE FINANCIAL SECTOR

Information about how climate change will affect a business should be passed on to investors, consumers and other stakeholders in reports or statements about the financial position, performance and future of the business. This may include how Australia's NDC may affect the business as well as the impact of climate change more broadly.

Similarly, consumers and investors should take steps to be properly informed of a business's climate change risk (for example, through their superannuation fund or direct investments) by looking at a company's accounting and audit information to make informed decisions about their investments.

**View the full report** - Australia's international climate change commitments - accounting assumptions and auditing of climate risk disclosures.