

Appendix 3

Recommendations from Productivity Commission Inquiry Report on Barriers to Effective Climate Change Adaptation

Productivity Commission Inquiry Report No. 59, 19 September 2012¹

Assessing reform options and identifying priority reforms

RECOMMENDATION 5.1

Reforms to address barriers to effective climate change adaptation should be assessed on a case-by-case basis to determine whether they are likely to deliver net benefits to the community. This should include consideration of any risks to their implementation.

If there is a high degree of confidence that reforms will deliver net benefits, they should be implemented without delay.

If there is uncertainty about the net benefits of reform options, there could be a case for delaying implementation or adopting a flexible approach until decision makers have better information on the factors that affect their decisions, particularly if the up-front costs are large and the benefits are likely to be distant.

'No regrets' policies

RECOMMENDATION 6.1

Australian governments should implement policies that help the community deal with the current climate by improving the flexibility of the economy. This would also build adaptive capacity to deal with future climate change. This includes reforms to:

- *taxes that influence the way resources are used, such as land tax exemptions and conveyancing duty, which could inhibit the mobility of labour or capital*
- *government transfers that reduce incentives to adjust to changing circumstances, such as reforms to drought support as outlined in the Productivity Commission's 2009 inquiry*
- *regulations that impose unnecessary costs or inhibit competition or flexibility and could impede climate change adaptation by reducing the ability of*

1 Productivity Commission, *Inquiry Report: Barriers to effective climate change adaptation*, March 2013, <http://www.pc.gov.au/projects/inquiry/climate-change-adaptation/report> (accessed 19 June 2013).

businesses, households or other entities to respond to changing circumstances, such as restrictions to water trading.

Information provision

RECOMMENDATION 7.1

The Australian Government initiative to improve the coordination and dissemination of flood-risk information should proceed in the most cost-effective way, be regularly updated and be expanded over time to encompass other natural hazards. Guidelines to improve the quality and consistency of risk information should also be regularly updated and take climate change into account where feasible.

Local government

RECOMMENDATION 8.1

To help clarify roles and responsibilities of local government for climate change adaptation, the state and Northern Territory governments should publish and maintain a comprehensive list of laws that delegate regulatory roles to local governments. This would assist both state and local governments to assess whether local governments have the capacity to discharge their roles effectively.

RECOMMENDATION 8.2

Local governments' uncertainty about their legal liability is a barrier to effective climate change adaptation. State governments should clarify the legal liability of councils with respect to climate change adaptation matters and the processes required to manage that liability.

Land-use planning

RECOMMENDATION 9.1

As a priority, state and territory governments should ensure that land-use planning systems are sufficiently flexible to enable a risk management approach to incorporating climate change risks into planning decisions at the state, territory, regional and local government levels. Consideration should be given to:

- transparent and rigorous community consultation processes that enable an understanding of the community's acceptable levels of risk for different types of land use*
- the timeframe of risks and the expected lifetime of proposed land use*
- the costs and benefits of land use.*

State and territory governments should provide appropriate guidance to local governments to implement these provisions in local government schemes.

Building regulation

RECOMMENDATION 10.1

The Council of Australian Governments' Building Ministers' Forum should provide formal direction to the Australian Building Codes Board to:

- *monitor projections of climate change risks to buildings*
- *revise the standards in the National Construction Code to take into account these projections where this delivers a net benefit to the community.*

This body of work should be transparently and formally incorporated in the Australian Building Codes Board's annual work program.

Existing settlements

RECOMMENDATION 11.1

The Council of Australian Governments should commission an independent public inquiry to develop an appropriate response to managing the risks of climate change to existing settlements. The inquiry should:

- *explore, via extensive consultation with all levels of government and the community, in a variety of locations, the community's acceptable levels of risk for public and private assets*
- *identify the options available to manage climate change risks to these assets*
- *assess the benefits and costs of each option*
- *establish policy frameworks that can be applied by state, territory and local governments.*

State and territory governments should draw on the findings of the inquiry to:

- *manage risks to their own assets*
- *clarify roles and responsibilities for managing climate change risks for each level of government and the community*
- *provide appropriate support to local governments that face capacity constraints.*

Emergency management

RECOMMENDATION 13.1

The Australian Government should commission an independent public review of disaster prevention and recovery arrangements. This should be broader than the

review currently being conducted by the Attorney-General's Department. The review should cover the Natural Disaster Relief and Recovery Arrangements, as well as the funding mechanisms for disaster mitigation, including the National Partnership Agreement on Natural Disaster Resilience. This review should:

- consider whether arrangements lead to inadequate disaster-mitigation infrastructure investments or insurance decisions, or reduce the incentives of state and territory governments to appropriately manage their risks
- clearly outline the process for the identification of disaster-mitigation infrastructure needs, the provision and appropriate funding of this infrastructure, and the allocation of operational responsibilities
- evaluate the adequacy of current arrangements for the provision of post-disaster assistance, including guidelines and processes for project evaluation and the criteria for approving and funding the betterment of essential public assets
- consider the balance of resources devoted to prevention and preparedness relative to response and recovery through a cost-benefit analysis of reform options
- involve extensive consultation with the community and all levels of government.

The role of insurance

RECOMMENDATION 16.1

State and territory taxes and levies on general insurance constitute a barrier to effective adaptation to climate change. State and territory governments should phase out these taxes and replace them with less distortionary taxes.

RECOMMENDATION 16.2

The Australian Government should only proceed with reforms that require all household insurers to offer flood cover if it can be demonstrated that the benefits to the wider community would exceed the costs.

RECOMMENDATION 16.3

Governments should not subsidise household or business property insurance, whether directly or by underwriting risks.