

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS (SECOND REPORT)

Westpac

Westpac27QW: (a) Regarding the statement from APRA that “it is estimated that in order to have a two-in-three chance of keeping global warming below two degrees we need to restrict future global emissions to around 800 gigatons of CO₂”, given the bank’s commitment to keeping global warming below two degrees, does the bank agree with the carbon budget set out by APRA?

(b) If the bank does agree, what does the bank consider to be the implications for Australia’s fossil fuel consumption and exports? Does this pose any risk for the bank?

(c) If not, why not and what global carbon budget does the bank consider to be consistent with the two degree limit endorsed by the bank?

Answer: Westpac welcomes the comments made by Mr Summerhayes regarding climate change and the increased focus this issue has received from regulators in Australia and internationally.

Westpac has been disclosing our approach and exposure to climate-change for a number of years across our sustainability and annual reporting. We were the first Australian Bank to recognise the importance of limiting global warming to less than two degrees.

This ambition was the basis of the 2015 Paris climate agreement.

Westpac recognises limiting global emissions is only part of this addressing climate change.

Addressing global warming will require reducing global emissions to net zero, meaning that the amount of carbon we emit must be the same as the amount we capture.

To meet the ambition set out at Paris, of “...holding the increase in global average temperature to well below two degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 degrees Celsius...” Westpac understands net zero emissions must be achieved in the second half of this century.

Last year, we became one of the first banks globally to undertake scenario analysis, which looked at the impact of climate change on the Australian economy and the associated risks and opportunities for Westpac in supporting the transition to a below two degree economy.

Our research to date focussed on the on the impact for Australia where the economy reaches net zero emissions by 2050. Our insights from this research and the implications for Westpac were published in our 2016 Sustainability Performance Report (https://2016annualreport.westpacgroup.com.au/assets/Westpac_Sustainability_Report_2016.pdf, pp 52-3).