

Senate Finance and Public Administration References Committee

ANSWERS TO QUESTIONS ON NOTICE

Lessons to be learned in relation to the Australian bushfire season 2019-20

Division/Agency: Australian Prudential Regulation Authority

Question No: APRA01QON

Topic: Climate Vulnerability Assessment

Reference: Hansard, 2 March 2021, p. 42-43

Member: Senator Ayres

Question:

CHAIR: I have to say that, from my limited experience as a former board director of a super fund, when APRA makes an announcement there is a very rapid response in financial institutions to understand the implications of regulatory action like that and organisations do respond to that. They may be responding to other stimulus in the market and in terms of their own research but they would be paying attention. Is the climate vulnerability assessment program a matter of government policy or is it APRA's own initiative?

Dr Carmody: I'd describe it as a joint initiative. The Council of Financial Regulators and APRA are leading the work. We have particular expertise that positions us well to run this. What I'd point to there is we've got an existing team that has responsibility for running the routine stress tests that we do on a regular basis for banks and insurers—so that whole process of designing scenarios and specifying results. We have also built a small capability in climate risk in particular. So we're bringing those two together. There is a Council of Financial Regulators working group that specifically looks at the issue of climate risk, and that goes to a range of topics, including disclosure and other things. That forum has strong visibility of the work on climate vulnerability.

CHAIR: So it's not the Treasurer's initiative or the government's initiative; it is joint between the Council of Financial Regulators and APRA.

Dr Carmody: We see it as joint. From our point of view as a prudential supervisor, stress testing has always been one of our—

CHAIR: But this particular program?

Dr Carmody: This particular program has come out of that Council of Financial Regulators working group.

CHAIR: So not with government, but with the Council of Financial Regulators? It is a regulators decision, not a policy decision of the government to do that?

Dr Carmody: That's right.

CHAIR: Has there been any engagement from government about it?

Dr Carmody: Treasury is a member of the Council of Financial Regulators. But I'm not aware of any specific engagement beyond that.

CHAIR: There's been a fair bit of hot traffic from at least Mr Littleproud on a range of these questions in relation to, I think, the ANZ Bank's climate policy. That hasn't translated into some engagement between the Council of Financial Regulators and government about how the program's been rolled out?

Dr Carmody: Not that I've been privy to. I can take on notice whether there's been any broader correspondence.

CHAIR: Would you?

Dr Carmody: Yes. But I am not directly aware of specific correspondence from the government on the climate vulnerability assessment.

Answer:

There has not been any correspondence from the Government regarding the climate vulnerability assessment.