



29 April 2021

Mr George Christensen MP
Chair
Joint Standing Committee on Trade and Investment Growth
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Parliament House
Canberra ACT 2600

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Dear Mr Christensen

INQUIRY INTO THE PRUDENTIAL REGULATION OF INVESTMENT IN AUSTRALIA'S EXPORT INDUSTRIES

On behalf of the Australian Council of Superannuation Investors (ACSI), thank you for the opportunity to make a submission to the Inquiry into the prudential regulation of investment in Australia's export industries.

About ACSI

Established in 2001, ACSI exists to provide a strong, collective voice on environmental, social and governance (ESG) issues on behalf of our members. Our members include 36 Australian and international asset owners and institutional investors. Collectively, they manage over \$1 trillion in assets and own on average 10 per cent of every ASX200 company.

Our members believe that ESG risks and opportunities have a material impact on investment outcomes. Through ACSI, our members collaborate to achieve genuine, measurable and permanent improvements in the ESG practices and performance of the companies they invest in.

ACSI staff undertake a year-round program of research, engagement, advocacy and voting advice. These activities provide a solid basis for our members to exercise their ownership rights.

Summary of ACSI's position

Superannuation funds are required to act in the best financial interests of their beneficiaries. The investment decisions of institutional investors, such as whether or not to invest in Australia's export industries, are based on an assessment of long-term financial risk and likely returns. Climate change represents one of the biggest financial risks across the market and one of the biggest drivers in how business will evolve into the future.

Unmitigated climate change would have catastrophic impacts across the globe, including impacts on human health, biodiversity, water availability, and disruption of ecosystems. Climate change therefore presents significant financial risk to the global economy. There are physical risks to assets associated with rising mean global temperatures, rising sea levels and increased severity of extreme weather events (even if Paris targets are met). There are also transition risks, as well as opportunities, as the economy adjusts to a lower carbon future. An inadequate response to this transition raises the potential for reputation and litigation risk. The risks are deeply embedded across the financial system and therefore should be considered in baseline economic modelling, as well as investment and policy decisions.

In summary:

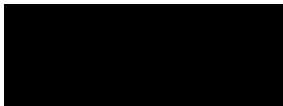
- **Climate change poses a material financial risk.** As international demand for Australia's emissions-intensive exports declines, investing in these industries will carry increasing financial risks.
- **The international transition to net zero is already occurring and will affect the value of Australian exports.** International markets are responding to climate change and transitioning to low-carbon economic models at an accelerating pace. If Australia does not align its climate-related policies with its international trading partners, the competitiveness of Australian exports will be at risk.

- **Company directors and institutional investors are guided by risk management and best financial interests.** Australian company directors and investors have a legal obligation to consider climate change in their assessment of financial risk and manage this risk in their decisions. These decisions are likely to be subject to increasing regulatory and public scrutiny.
- **Australia has much to lose from an unplanned and disorganised transition to a low carbon economy.** It is estimated that the likely damage to Australia's economy of leaving climate change risks unchecked is a reduction in GDP of 6 per cent by 2070, equivalent to \$3.4 trillion in present value terms, and 880,000 jobs lost. An orderly, just and equitable transition to a low-emissions economy (including our export market) will cause much less disruption to Australian industry and communities than the damage caused by inaction.
- **Australia has significant opportunities for export growth and a stronger economy.** Australia has the potential to develop new low-emissions exports that will compete successfully in international markets, generate economic growth and create thousands of new jobs.

The international transition to low carbon emissions is already occurring and is not dependent on the decisions of investors and prudential regulators within Australia. If Australian legislation and policy does not keep pace with the global transition and support a shift to low-emissions exports, Australian companies risk being left exposed, uncompetitive and unable to take advantage of significant economic opportunity to build a stronger export industry for the future.

Our more detailed comments are set out in this submission. I trust they are of assistance. Please contact me or Kate Griffiths, ACSI's Executive Manager – Public Policy and Advocacy, should you require any further information on ACSI's position.

Yours sincerely



Louise Davidson AM
Chief Executive Officer
Australian Council of Superannuation Investors

Climate change poses a material financial risk

Numerous policy makers and regulators from around the world have articulated the financial nature of the risks associated with climate-change. For example, modelling conducted by the Network for Greening the Financial System (NGFS),¹ found runaway global warming would result in a cumulative loss of global GDP of 25 per cent by the end of the century from physical risks (worsening extreme weather) alone.² Likewise, the Bank of International Settlements, often described as the bank of central banks, has identified unaddressed climate risks as a likely cause of the next global financial crisis.³ This perspective is also reflected by the US Federal Reserve, which has identified climate change as a risk to the stability of the US financial system.⁴ Federal Reserve Supervisors expect banks to implement systems that appropriately identify, measure, control, and monitor all of their material risks, which for many banks are likely to include climate risks.⁵

The experts in risk, insurance companies, have already assessed that failing to transition away from fossil fuels is not a tolerable risk. The world's largest re-insurance company, Swiss Re, recently announced that it would completely phase out thermal coal from its reinsurance in OECD countries by 2030.⁶ In Australia, insurers such as Suncorp and Insurance Australia Group are subject to the impact of increased climate-related insurance claims,⁷ which could cause insurance premiums to soar in the not-too-distant future, and leave many properties and businesses uninsurable.⁸ With catastrophic weather events set to increase in frequency and severity over the coming years due to 'locked in' climate change impacts,⁹ the price of climate risk is on the rise. An unplanned or late transition to a low-emissions economy will cost the Australian economy more.

There are many examples of companies already shifting their approach to managing the impacts of climate change, in response to the inevitable transition to a low-carbon world and to take advantage of the opportunities presented by the accelerating global transition.¹⁰ For example, BP has recognised billions of dollars in climate-related write-downs due to stranded assets.¹¹ Australian companies are already losing foreign investment due to climate-related divestment.¹² The market is shifting, both in Australia and internationally,¹³ and Australian companies that don't respond will be left behind.

Decisions to invest into Australia's export industries are guided by risk management and best financial interests

Institutional investors make their investment decisions based on the best financial interests of their beneficiaries. The decisions of investors in relation to environmental, social and governance (ESG) issues are based on a fact-based assessment of core financial risk. ACSI's members are active owners of Australian companies, including exporting companies. In pursuing active ownership, the core objective of our members is to mitigate financial risk and ensure financial return for their beneficiaries. Shifts in the policy and legal landscape of Australia's trading partners influences demand for Australia's exports, a key driver of the asset value of Australian companies. It is therefore an important financial consideration for investors.

In addition, the legal responsibilities of directors in relation to climate risk are clear. The Hutley legal opinion states that a director who fails to take climate risk into account can be in breach of their director's duty under s180(1) of the *Corporations Act 2001 (Cth)*.¹⁴ The Hutley opinion articulates the foreseeable nature of climate-related risks to Australian businesses, and states that 'the standard of care to be exercised by directors with respect to climate change has risen and continues to rise'.¹⁵ Likewise, the ASX Corporate Governance Principles encourage listed companies to assess their exposure to climate risk and determine how best to manage it.¹⁶ As more companies start to adopt a 'Say on Climate',¹⁷ inviting their shareholders to assess their

¹ The NGFS is an international coalition of central banks and supervisors that exists to accelerate work on climate and environmental risk. NGFS has 83 members representing five continents with members jurisdictions supervising over 100 per cent of globally systemically important banks and two-thirds of the global systemically important insurers and over 85 per cent of global GDP. The Reserve Bank of Australia (RBA) and the Australian Prudential Regulation Authority (APRA) are members.

² NGFS '[NGFS Climate Scenarios for central banks and supervisors](#)' June 2020.

³ Bolton et al '[The green swan: Central banking and financial stability in the age of climate change](#)' January 2020.

⁴ US Federal Reserve '[Financial Stability Report](#)' November 2020.

⁵ *Ibid* p59.

⁶ Swiss Re '[Swiss Re announces ambitious climate targets accelerates race to net zero](#)' 16 March 2021.

⁷ Suncorp '[The Suncorp Group Insurance Response: Barriers to Effective Climate Change Adaptation](#)' Productivity Commission Issues Paper December 2011 IAG '[Our Climate Action Plan: Here's how we're adapting](#)' October 2018.

⁸ Australian Academy of Science '[The risk to Australia of a 3° warmer world](#)' 31 March 2021 p10.

⁹ *Ibid* Deloitte '[A new choice: Australia's climate for growth](#)' November 2020.

¹⁰ For example BHP has stated that 'Climate change action makes good economic sense for BHP and enables us to create further value': BHP News Release '[BHP climate change briefing](#)' 10 September 2020 p2. Likewise Santos has set out an ambitious roadmap to 'be at the forefront of the energy transition to a lower-carbon future': Santos '[Annual Report 2020: A clear pathway to net zero emissions by 2040](#)' p4.

¹¹ BP '[Press Release](#)' 15 June 2020.

¹² For example the UK's largest pension fund (NEST) has committed to divesting from BHP because of its negative climate impact: The Guardian '[UK's biggest pension fund begins fossil fuels divestment](#)' 29 July 2020. The Norwegian sovereign wealth fund will follow suit: ABC news '[Norway's \\$US1 trillion sovereign wealth fund to dump billions in coal investments](#)' 13 Jun 2019.

¹³ US companies have also been pressuring the US Government to increase ambitions on emissions reduction: The New York Times '[Executives Call for Deep Emission Cuts to Combat Climate Change](#)' 13 April 2021.

¹⁴ Centre for Policy Development '[Climate Change and Directors' Duties: Further Supplementary Memorandum of Opinion](#)' Mr Noel Hutley SC and Mr Sebastian Hartford Davis 23 April 2021 p2 7.

¹⁵ *Ibid* p4.

¹⁶ ASX '[Corporate Governance Principles and Recommendations](#)' February 2019 4th edition p28.

¹⁷ Santos '[Santos adopts shareholder advisory vote on climate change report](#)' 16 March 2021 The Guardian '[Rio Tinto backs activist](#)

climate strategies, it is clear that they consider climate risk management to be a core element of business strategy. Increasingly, companies will be expected to disclose in relation to climate risk, with major trading partners such as the UK and New Zealand moving towards mandatory disclosures aligned with the Taskforce on Climate-Related Financial Disclosures (TCFD).¹⁸

Likewise, institutional investors and superannuation trustees will not satisfy their fiduciary duty (under ss 52(2)(b) and (c) of the *Superannuation Industry Supervision Act 1993 (Cth)*) if they fail to adequately understand and manage climate risk in their investment decisions.¹⁹ The recently updated Hutley opinion makes clear that it is insufficient for superannuation trustees to simply identify and disclose on climate risks - they must also plan and take action in response to the relevant risks.²⁰ The impacts of climate change, both physical and transitional, are likely to negatively impact long-term investment returns and therefore retirement incomes. Consulting firm JANA assessed that without further action by government or superannuation trustees, returns on superannuation portfolios could decline by 2 per cent per year as a result of climate change impacts.²¹ The superannuation balance of a median-income worker could be reduced by 18 per cent, according to Australia's Actuaries Institute.²² The Hutley opinion states that trustees of superannuation funds have a responsibility to act prudently. According to Hutley SC, as well as APRA Chair Wayne Byres, the risk of liability is rising exponentially.²³

As the Reserve Bank of Australia has stated, "[c]limate change is exposing financial institutions and the financial system more broadly to risks that will rise over time, if not addressed."²⁴ According to asset manager Schroders, Australian equity returns are likely to fall by 1.8 per cent per annum to 2050 as a result of physical and transitional climate risks.²⁵ Likewise, Mercer has assessed that a 2°C global warming scenario is likely to lead to higher investment returns than a 3°C or 4°C scenario across most asset classes globally, meaning investors and their beneficiaries will be better off in a low carbon economy.²⁶ Moody's has also recently made clear its expectation that banks globally improve their management and pricing of climate risk, stating that credit risks will be higher for banks that fail to adapt.²⁷ Climate impacts are a global and economy-wide risk that cannot be ignored by any actor in the market.

Regulators have reinforced the position that directors and trustees have a fiduciary duty to consider climate risk in their decisions.²⁸ ASIC is increasing scrutiny,²⁹ and expects companies to have appropriate governance structures in place to manage the risks, as well as providing the market with reliable and useful information on the company's exposure to material climate-related risks and opportunities.³⁰ Likewise, APRA has recently published draft guidance which reiterates the financial risk caused by climate change, and the need for investors to establish robust risk identification, monitoring and management plans.³¹ The APRA guidance highlights the interaction between climate risk and business activity, including the compounding effect climate risks may have on an institution's other risks, including credit, market, operational, underwriting, liquidity and reputational risks.

Australian investors will also be guided by regulators internationally, given that many also have investments in international markets. The actions of Australian investors are consistent with international counterparts, such as BlackRock, JP Morgan Asset Management and State Street Global Advisors, who consider climate change to be one of the biggest financial risks in investment portfolios today.³²

The argument has been made that the Australian resources sector will need to continue accessing competitive finance in order to transition to lower emissions.³³ In that case, Australia's policy makers and resource industries should have a clear and feasible strategy to provide confidence for investment.

If Australia waits too long to transition and instead transitions abruptly, certain sectors are likely to face large

[resolution to set emissions targets consistent with Paris agreement](#)' 19 March 2021 Oil Search [ASX announcement](#) 25 March 2021 and [Woodside ASX Announcement](#) 19 March 2021.

¹⁸ New Zealand Ministry for the Environment '[Mandatory climate-related disclosures](#)' April 2021 UK Government '[UK joint regulator and government TCFD Taskforce: Interim Report and Roadmap](#)' 9 November 2020.

¹⁹ Centre for Policy Development '[Climate Change and Directors' Duties: Further Supplementary Memorandum of Opinion](#)' Mr Noel Hutley SC and Mr Sebastian Hartford Davis 23 April 2021 p7.

²⁰ *Ibid.* p8.

²¹ Sydney Morning Herald '[What impact will climate change have on super fund returns?](#)' 24 June 2020.

²² Actuaries Institute '[The impact of climate change on mortality and retirement incomes in Australia](#)' September 2019.

²³ Centre for Policy Development '[Climate Change and Directors' Duties: Further Supplementary Memorandum of Opinion](#)' Mr Noel Hutley SC and Mr Sebastian Hartford Davis 23 April 2021 p18 APRA '[APRA Chair Wayne Byres – Speech to the Committee for the Economic Development of Australia](#)' 28 April 2021.

²⁴ Reserve Bank of Australia '[Financial Stability Risks from Climate Change](#)' October 2019.

²⁵ Schroders '[The uncomfortable truth about climate change and investment returns](#)' July 2020.

²⁶ Mercer '[Investing in a time of climate change](#)' 2015.

²⁷ Moody's '[Research Announcement: Moody's – climate change to force further business transformation for banks](#)' 20 April 2021.

²⁸ ASIC '[Managing climate risk for directors](#)' February 2021.

²⁹ *Ibid.*

³⁰ *Ibid.*

³¹ APRA '[APRA releases guidance on managing the financial risks of climate change](#)' 22 April 2021.

³² BlackRock '[Larry Fink's 2021 letter to CEOs](#)' State Street '[Climate Stewardship](#)' JP Morgan Asset Management '[The time to act is now](#)'.

³³ Parliament of Australia Senate Economics Legislation Committee Hansard '[Estimates](#)' 25 March 2021.

losses, causing 'broader dislocation in financial markets'.³⁴ It therefore makes good sense for investors to respond to shifting international market signals earlier rather than later, to avoid a rushed and ill-prepared (but inevitable) transition.

The international transition to net zero is already occurring and will affect the value of Australian exports

Australia's key trading partners have begun reshaping their economic models and legal frameworks to drastically reduce carbon emissions, and this is expected to continue. 70 per cent of Australia's trade is with countries that have commitments to reach net-zero emissions by around 2050.³⁵ Likewise, 68 per cent of global GDP is now covered by net-zero targets.³⁶

The message from the European Union (EU) is clear: compliance with the Paris Agreement is non-negotiable. The EU's Green Deal sets out changes that will deeply impact the European economy³⁷ in order to meet the EU's goal of curbing emissions by 55 per cent by 2030.³⁸ In order for the EU to achieve its strict emissions reduction target, the European carbon market will require companies to pay a much higher price for carbon emissions.³⁹ This means that Australia's emissions-intensive export commodities are also likely to face carbon levies as a result of the EU's carbon adjustment mechanism.⁴⁰

The United Kingdom (UK) is also considering a carbon tax on imports, and is encouraging its G7 counterparts to do the same,⁴¹ with Japan and the US already considering this option.⁴² Japan recently signalled clear ambitions to transition its economy to net zero emissions by 2050 and revised its 2030 greenhouse gas emissions target from 26 per cent to 46 per cent, reflecting a commitment to accelerate the pace of change.⁴³ This will significantly shrink Australia's biggest market for thermal coal and gas exports (40% of Australia's coal and gas is currently purchased by Japan).⁴⁴ Likewise, the US has significantly stepped up its ambitions,⁴⁵ alongside Canada also increasing its 2030 targets by an extra 10-15 per cent beyond original plans, again accelerating the pace of change.⁴⁶ China has also signalled its clear commitment to transition.⁴⁷

The international momentum is very clear. Australia's major trading partners will drive a 'cycle of stretch ambitions'⁴⁸ that will impact Australian exports, regardless of the actions of Australian prudential regulators or investors. The Office of the Chief Economist has assessed that demand for thermal coal among OECD countries is expected to decline at an accelerating rate after 2021.⁴⁹ If Australia wants to remain competitive in international markets that are racing towards net-zero, it will need to transition to developing low-emissions exports that are in demand among its major trading partners (and the lion's share of the global economy).

Australia has much to lose from an unplanned and disorganised transition

Deloitte Access Economics has estimated that the likely damage to Australia's economy of leaving climate change risks unchecked is a reduction in GDP of 6 per cent by 2070, equivalent to \$3.4 trillion in present value terms, and 880,000 jobs lost.⁵⁰ Australian communities will therefore face significant losses if there is no planned or smooth transition to a low-carbon economy. Communities in Queensland, the Northern Territory and Western Australia will be the hardest hit by a disorderly transition, including many communities involved in mining and manufacturing exports.⁵¹

Australia is acutely exposed to the physical impacts of climate change.⁵² This includes extreme weather events, sea level rise and heat stress, among other impacts.⁵³ These changes will have a significant impact on

³⁴ Reserve Bank of Australia '[Financial Stability Risks from Climate Change](#)' October 2019.

³⁵ [IGCC Policy Brief](#) November 2020 p2.

³⁶ ECIU & Oxford University '[Taking Stock: A global assessment of net zero targets](#)' March 2021 p6.

³⁷ European Commission '[A European Green Deal](#)'.

³⁸ European Commission '[EU climate action and the European Green Deal](#)'.

³⁹ IISD '[Stakeholders Assess Proposed EU Carbon Board Adjustment Mechanism](#)' 8 Feb 2021.

⁴⁰ [European Parliament](#) 10 March 2021.

⁴¹ Aljazeera '[UK PM to push allies to agree on carbon border tax](#)' 5 Feb 2021.

⁴² Bloomberg Tax '[Japan Mulls Carbon Border Tax for Polluters, Nikkei says](#)' 11 Feb 2021 Office of the United States Trade Representative '[Fact Sheet: 2021 Trade Agenda and 2020 Annual Report](#)' March.

⁴³ Japan Times '[Japan lays out plan to steer economy away from carbon by 2050](#)' 25 Dec 2020 Reuters '[Japan vows deeper emission cuts as Biden holds climate summit](#)' 23 April 2021.

⁴⁴ The Guardian '[Japan's net zero by 2050 pledge another warning to Australia on fossil fuels, analysts say](#)' 27 Oct 2020.

⁴⁵ The White House '[Fact Sheet: President Biden Sets 2030 Greenhouse Gas Pollution Reduction Target Aimed at Creating Good-Paying Union Jobs and Securing U.S. Leadership on Clean Energy Technologies](#)' 22 April 2021 Business Standard '[Joe Biden's aggressive climate plan puts pressure on China, India](#)' 12 April 2021 The New York Times '[Executives Call for Deep Emission Cuts to Combat Climate Change](#)' 15 April 2021.

⁴⁶ CNBC '[Here's what countries pledged on climate change at Biden's global summit](#)' 22 April 2021.

⁴⁷ The Guardian '[China pledges to become carbon neutral before 2060](#)' 23 Sept 2020.

⁴⁸ The Guardian '[UK Foreign Secretary pushes Australia to 'stretch' climate commitments before global summit](#)' 18 March 2021.

⁴⁹ Australian Government Department of Industry Science Energy and Resources Office of the Chief Economist '[Resources and Energy Quarterly](#)' March 2021 p55.

⁵⁰ Deloitte '[A new choice: Australia's climate for growth](#)' November 2020.

⁵¹ Ibid.

⁵² Australian Academy of Science '[The risk to Australia of a 3° warmer world](#)' 31 March 2021 p7.

⁵³ Ibid p8.

how rural and regional communities live and work – disrupting crop yields, harming health, reducing labour productivity, forcing people to move as their land is eroded or dried out, and damaging infrastructure.⁵⁴ These impacts will not only heavily disrupt regional communities, they will have a deep economic impact across the country. 45 per cent of all employed workers across Australia and 41 per cent of GDP is at high risk of exposure to the physical damages of unmitigated climate change.⁵⁵

Climate change will compound the negative impacts that Australian industries and communities are already facing as a result of the COVID-19 pandemic, so the solutions to the two crises should be interlinked and considered together. Deloitte Access Economics has estimated that 30 per cent of Australian employees are particularly exposed to the combined economic disruption of COVID-19 and climate change, and are most at risk from an unplanned transition.⁵⁶ Rather than considering the COVID-19 recession as a roadblock to a green transition, a number of countries (eg. in the EU) are integrating green transition as a core component of their economic recovery, as an opportunity to accelerate towards healthier, more sustainable, and productive economies over the long-term.⁵⁷

Australia needs policies that:

- Develop pathways to a net-zero emissions economy, including economy-wide strategies to achieve net zero by 2050, and 2030 targets that are aligned to Paris Agreement objectives.
- Ensure a managed energy-sector transition, including credible integration of climate change opportunities and risks, and a strategy to ensure the transition is orderly, just and equitable.
- Build resilient communities and economies, including a national adaptation strategy that incorporates climate change as a systemic risk into corporate and financial regulation and disclosure frameworks.

Australia has an opportunity for export growth and a stronger economy

A smooth transition to a low carbon economy has the potential to increase GDP by 2.6 per cent (equivalent to \$680 billion in present value terms) by 2070 and create 250,000 new jobs.⁵⁸

Inaction/mis-action	Smooth transition
<p>-6% GDP \$3.4 trillion lost 880,000 jobs lost</p>	<p>+2.6% GDP \$680 billion in growth 250,000 jobs created</p>

Source: the above figures were estimated by Deloitte Access Economics.⁵⁹

Australia's skilled workforce and capacity to invest in green technologies are competitive advantages in the global transition to lower carbon emissions.⁶⁰ The Academy of Science's recently published report states that Australia's abundant natural resources for solar and production of other renewables mean that Australia has the potential to be a 'renewable energy superpower' and produce highly competitive green export commodities using renewable energy.⁶¹ For example, the Grattan Institute has estimated that Australia could capture 6.5 per cent of the global steel market by producing 'green steel', which would generate \$65 billion in export revenue.⁶² This stands in contrast to Australia's current revenue from thermal coal exports of \$21 billion in 2019-2020.⁶³ 'Green steel' could also create 25,000 new manufacturing jobs in communities in New South Wales and Queensland that will be impacted by reduced coal production.⁶⁴ By 2025-2026, export earnings from copper, lithium and nickel (metals used in many green technologies) are likely to surge, which will make up for the losses from thermal coal.⁶⁵

Likewise, Australia's trading partners, including Japan, South Korea and Germany are already demonstrating their demand for Australia to export renewable hydrogen.⁶⁶ As global demand for hydrogen increases, Australia's has a potential export opportunity worth more than \$10 billion by 2040.⁶⁷ Australia also has

⁵⁴ Deloitte ['A new choice: Australia's climate for growth'](#) November 2020 p31.

⁵⁵ Ibid p21.

⁵⁶ Ibid.

⁵⁷ European Parliament ['The EU's Covid-19 recovery plan should prioritise climate'](#) 2 Feb 2020.

⁵⁸ Deloitte ['A new choice: Australia's climate for growth'](#) November 2020 p50

⁵⁹ Ibid.

⁶⁰ CSIRO ['Low Emissions Technology Roadmap'](#) June 2017.

⁶¹ Australian Academy of Science ['The risk to Australia of a 3° warmer world'](#) 31 March 2021 p12.

⁶² Grattan Institute ['Start with steel: A practical plan to support carbon workers to cut emissions'](#) May 2020.

⁶³ Australian Government Department of Industry Science Energy and Resources Office of the Chief Economist ['Resources and Energy Quarterly'](#) March 2021 p54.

⁶⁴ Ibid.

⁶⁵ Australian Government Department of Industry Science Energy and Resources Office of the Chief Economist ['Resources and Energy Quarterly'](#) March 2021 p4.

⁶⁶ Deloitte ['A new choice: Australia's climate for growth'](#) November 2020 p45.

⁶⁷ ACIL Allen Consulting ['Opportunities for Australia from Hydrogen Exports'](#) August 2018.

significant potential to develop and export biofuels, again creating new jobs in regional areas.⁶⁸

The advantages of transition are clear, but in order for that transition to be most effective, the effect on carbon-intensive export companies, in particular their workforces and communities, must be mitigated. Australia must plan for a transition that is just and equitable.⁶⁹ It will be crucial to understand the make-up of skills, education and infrastructure of specific communities in order to invest in a targeted and sustainable way.⁷⁰

As US Special Presidential Envoy for climate John Kerry stated, the new energy economy represents the biggest jobs market the world has ever known.⁷¹ Sustaining Australia's emissions-intensive export industries beyond their viable life in the face of declining demand and increasing risk will not protect rural and regional communities. In contrast, if Australia effectively plans and manages a smooth transition to a low-emissions economy, the rural and regional communities currently involved in the production of Australia's emission-intensive exports will be able to reap the benefits of new export jobs in an expanded economy.

⁶⁸ Grattan Institute '[Start with steel: A practical plan to support carbon workers to cut emissions](#)' May 2020.

⁶⁹ The Investor Group on Climate Change (IGCC) and other organisations have put significant thought into what a just transition could feasibly look like. See: [IGCC ACTU Just Transition Initiative](#) [Global Compact Network Australia](#).

⁷⁰ IGCC 'https://igcc.org.au/wp-content/uploads/2020/06/Coal-Carbon-and-Community_FINAL.pdf Coal Carbon and the Community: Investing in a just transition' Oct 2017 p39.

⁷¹ United States Department of State '[Special Presidential Envoy for Climate John Kerry Media Roundtable](#)' 18 April 2021.