



IPCC report instills urgency for ESG

Only immediate, robust and large-scale greenhouse gas emission reductions can slow down the pace of climate change





Latest IPCC report instills urgency in ESG action

The latest IPCC report¹ released this month gives the world a stark warning - only immediate, robust and large-scale greenhouse gas (GHG) emissions reductions can slow down the accelerating pace of climate change impacts currently and in the future. While we can no longer avoid climate change - its impacts are now being felt worldwide - there is a chance to limit the risks to manageable levels within the next decade with swift and ambitious action. Governments, communities and businesses alike need to urgently prepare for the impacts and find ways to contribute to the solutions to avoid a destabilised, volatile and unsustainable future.

At the upcoming COP26 Summit in November, this will be a business-critical platform for global government and business leaders to come together to elevate issues and commit to actions towards tackling climate change. COP26 will be a tipping point for organisations, who will be directly impacted by the themes that emerge from the Summit.



1 <https://www.ipcc.ch/report/sixth-assessment-report-working-group-i/>



The newest climate change science is clear and striking

After a review of more than 140,000 scientific publications, the IPCC authors report (with increased precision), detail and confidence regarding the newest data on current, near and future climate change impacts. The report on the physical science basis of climate change rings red alarm². It details the multiple overlapping climate change impacts already being felt in all parts of the world and projects progressively rapid increases of the frequency and severity of climate change impacts.

Extreme heat, intense precipitation, droughts, hazardous fire weather, sea-level rise - the key physical impacts, which lead to cascading second and third tier impacts throughout natural and human-made systems, such as floods, severe storms, water shortages, coastal erosion, extreme heat waves, spread of pests and diseases, leading to impacts on human health, infrastructure, business continuity, investment security and livelihoods - are all projected to be part of everyday reality in the future.

Even more alarmingly, scientists can no longer rule out reaching a irreversible climate tipping points - such as the weakening of major ocean circulation currents, which regulate the climate in many parts of the world, the potential catastrophic melting of ice sheets leading to sea level rise higher than 5 meters, widespread dieback of forests and coral reefs or thawing of the methane-rich permafrost.

Australia - warming faster and vulnerable

While the world has on average already warmed by 1.1 degree celsius, the rate of warming is even faster in Australia. Australia has warmed by 1.4 degrees between 1910 and 2020. Previously IPCC has advised that keeping warming within a 1.5 degree limit gives us a significant advantage for our ability to adapt and reduce losses, with severity of impacts increasing significantly thereafter. At the current warming rate of 0.2 degrees per decade, Australia is about to overshoot the 1.5 threshold in near future. Because of Australia's higher susceptibility to warming, a global 1.5 degree warming equates to 2.1 degree hotter climate in Australia, making Australia one of the hotspots of climate change vulnerability.

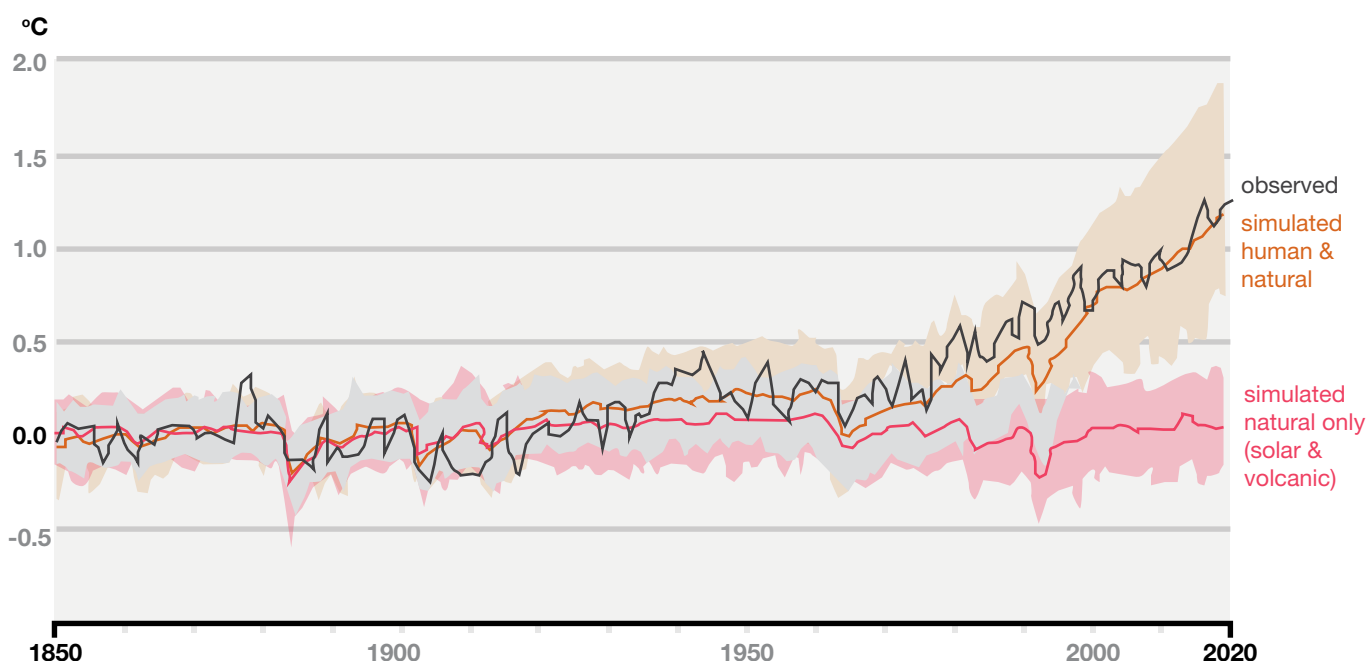
Major intensifying climate change impacts are already being experienced in Australia, in particular, changes in precipitation patterns leading to flooding and droughts, extended and more severe fire seasons, sea level rise and coastal erosion threatening coastal properties and infrastructure, heatwaves affecting both people and assets and others. Climate related hazards have caused losses in the tens of billions of dollars over the last decade - with some estimating this could increase to a \$100 billion cost to the economy every year by 2038. Australian industries and job providers are already bearing the brunt. The 2019/2020 bushfires, severely exacerbated by climate change, have led to an estimated national GDP growth reduction by 0.2 percentage points as estimated by the Reserve Bank of Australia costing \$2.32 billion in losses to the insurance industry.



(Solving) Climate change - our responsibility

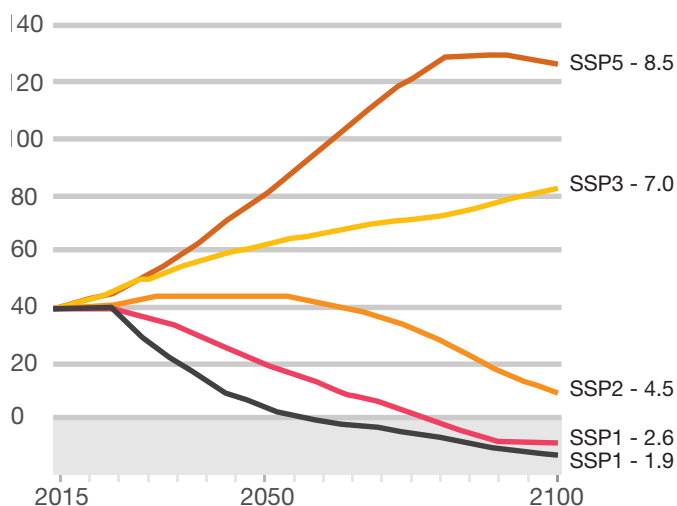
The IPCC report puts it beyond doubt that human activities are the cause of climate change. It also puts the responsibility for solving it squarely. With a warning that only with immediate and large scale greenhouse gas emission reductions we have a chance to remain below 2 degree warming, and over time, stabilise the warming at 1.5 degrees (in line with Paris Agreement targets).

Change in global surface temperature (annual average) as observed and simulated using human & natural and only natural factors (both 1850 - 2020)



Achieving net-zero greenhouse gas (GHG) emissions by 2050, (which is increasingly the commitment taken on by countries, cities and companies worldwide), can give us that chance, but the transition has to start immediately and on a global scale. If we stay at the current emissions level - we will never achieve that target. The report demonstrates if we follow the path of any other emissions reduction scenario, apart from the most ambitious one as modelled by IPCC, we will miss the mark completely.

Carbon dioxide (GtCO₂/yr)



Australian companies at the frontline

Australian companies operate in an environmentally-vulnerable region of the world, and are at the frontline of exposure to physical and transitional climate change impacts. However, there are significant opportunities to build resilience and contribute to solutions through their approach to ESG and risk management, as well as by strengthening and upgrading business models.

The physical risks to Australian companies arise through direct and indirect exposures both in and outside Australia, throughout core operations, and upstream and downstream value chains. Evidence-based assessments of the exposures and vulnerabilities, and robust planning and implementation of adaptation measures, are now indispensable to good corporate governance and fulfillment of prudential duties to ensure long-term viability of the business model avoiding detrimental impacts on the bottom line. Authorities and market regulators are also increasingly requiring or recommending climate stress-testing and climate risk disclosures for companies, including the recent Australian Prudential Regulation Authority draft prudential practice guide on climate change financial risks.

As governments worldwide take on this latest evidence and consider, and in some cases, ramp up their climate change policies (often with more ambitious emissions reductions targets, decarbonisation obligations for industries, mandated disclosures of climate related risks, and other ESG parameters), companies are increasingly exposed to “transition risks”. These are risks that arise due to changing regulatory regimes at home and abroad, as well as changing market conditions and preferences. This can further lead to litigation risks if companies fail to keep pace with the changes and new requirements.



On the other hand, companies have the agency and responsibility to be key contributors to the solutions of the challenge. They can set their own science-based “net-zero aligned” climate change targets, plan their transition pathways, achieve real GHG emission reductions in their value chains and mobilise and deploy investments, innovations and technologies necessary for the required speedy transition to a safe, reliable and sustainable future.



Delivering sustained outcomes which make a difference

Our approach embodies who we are: a community of solvers coming together in unexpected ways to deliver sustained outcomes for organisations, their customers, stakeholders and communities. Combining our strengths to make a difference with meaningful impact to proactively shape a different future.

Our formula is simple: we deliver bold ideas, solutions which are human-led and tech-powered across the breadth of your organisation.

For a more in-depth discussion about how your organisation can address issues raised in the IPCC report, please feel free to contact one of our ESG experts below.



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