



Chapter
Zero New Zealand

Climate Change and Financial Services

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Climate Change and Uncertainty

Short-term Effects (Now)

- Higher Temperatures, Storms, Wildfires, More Extreme Weather, Warming Ocean – Coral Reefs, Migration

Medium-term Effects (2020-50)

- All of the Above, Food Production, Rising Sea Levels,

Long-term Effects (2050)

- All of the Above, More Extreme Effects

High degree of uncertainty over rate of change

- Worsening of short term events – highly certain
- Eventual melting of Greenland, Arctic, and Antarctic – reasonably certain
- Rate of change on sea level – uncertain
- Flooding of coastal areas in next 20 years – reasonably certain.

Financial Services

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Economic Role

Take deposits, lend at 2% margin

Intermediary role between savings and borrowing

Low margin means that loans have to be made with high certainty of repayment

- Risk protection from business income and assets.

Bank's health critical to NZ economic health

Reserve banks of the world including RBNZ are much more active regulators than in any other industry

Banks will be critical in NZ response to climate change

*Westpac
Strategy –
Sustainability
Leadership*

Climate Change Impact Report
(2018)

Climate Change Risk Report
aligned with TCFD (2020)

New Zealand's first Toitū
carbonzero certified bank
(2019)

Climate Change Impact Report

- Westpac's Assessment of Risk
- Different scenarios assessed including steady progress on Paris commitments versus shock scenario, in which world event triggers need to reduce carbon more rapidly.
- Two different climate change risks = physical and transition.
 - *Physical = economic loss from storms, fires, and rising sea levels*
 - *Transition = asset life shortened due to decarbonisation or regulation*

Climate Change Impact Report (continued)

- Sector Risk Assessment
- Coal and Fossil Fuels higher transition risk
- Coastal properties higher physical risk
- Agriculture viewed as modestly negative physical risk, but dairy is NZ's biggest economic challenge

The Dilemma

- NZ has multiple challenges in decarbonisation, in not just lowering our carbon use through the conversion of passenger cars to EV's
- Bigger challenge is how to make it affordable
- Banks likely critical partner to government and RBNZ on assisting customers with loan terms to make EV affordable, provided that banks can earn commercial return.

Climate Change Books for Reading

- David Wallace Wells, *The Uninhabitable Earth, Life After Warming*, New York, 2019
- Bill McKibben, *Falter – Has the Human Game Begun to Play Itself Out?*, New York, 2019
- Paul Hawken, editor, *Drawdown, The Most Comprehensive Plan ever Proposed to Reverse Global Warming*, Penguin Books, 2017
- Mark Lynas, *The Final Warning*, London, 2020
- Kim Stanley Robinson, *Ministry for the Future*, New York, 2020