

HC Coombs Policy Forum

Workshop Summary

Climate change adaptation in Australia: economic and policy issues

Tuesday 30 August 2011 Jean Martin Room, Beryl Rawson Bldg #13, ANU

Session 1 - Framing adaptation as a public policy issue

The discussion highlighted how important the framing is, before we can even agree on what are the important policy questions to be asking, let alone the nature of the policy response.

The discussion generally followed the very useful outline tabled by Dr Subho Banarjee of the DCCEE:

What is adaptation?

A clear and broadly accepted narrative that defines the nature of the policy problem would allow more practical policy solutions to be developed.

- > This needs to link with other government efforts to engage in respectful dialogue with communities about possible futures, about water, infrastructure, Indigenous policy, etc
- > Strategy development can be done at this level, with 'mainstreaming' achieved through implementation.
- > Such a narrative could also link to specific actions at different scales and highlight what is working well (positive stories about adaptation).

Any policy action should be cognisant of the different/appropriate spatial and temporal scales.

- > Actions will be different if targeted at short-term or long-term impacts and adaptation.
- > Opportunities exist to build on existing actions at the 'regional' scale – building on NRM planning, regional development, etc

Adaptation policy should include a focus on supporting decision making, including the role for the Commonwealth to provide a framework for decisions/actions by others.

Maybe adaptation is just being able to continue to meet most of society's goals and objectives – maintain and where possible improve living standards and wellbeing, including the social, cultural and environmental dimensions which we all recognise as important?

An implication of this might be that the metrics of 'success' or 'progress' are the same as used today?

Why should we adapt?

And why should we start doing so soon?

The rationale is clear – but what? How? Who? Where? When? In what sequence?

- > Many different precautionary actions present themselves (or are advocated) in response to many different perceived threats/hazards, in many different domains or sectors.
- > Who should decide – and on what basis – which actions are the most urgent, or highest priority? Or best value? Or most in the public interest? Or are likely to generate the greatest net social benefit?

Is Climate change a ‘threat multiplier’ rather than an entirely new class of threat?

A key issue for adaptation could be **mainstreaming**.

- > This could include a focus on social learning and opening up conversations with communities.
- > How can policy action on climate adaptation be prosecuted through other existing areas, eg environmental, transport and urban planning etc?
- > What do we know about the benefits and limitations of mainstreaming? – not a great body of knowledge on this, needs more work. What functions will be mainstreamed (eg implementation, but not the strategic thinking and policy formulation)? When is the concept sufficiently mature to be mainstreamed, and under what conditions are others competent and willing to pick up the concept and embrace it? What are the risks in trying to mainstream an ‘immature’ concept to ‘unreceptive’ others? What regulatory, incentive and suasive measures are needed for mainstreaming to succeed? Are there relevant lessons from other areas?
- > Climate change impacts will occur at different levels (sometimes these are described as reactive/proactive/transformative; a slightly different four-level framework was also discussed) - does mainstreaming work better at the lower levels but not appropriate at the top?

Goals of Adaptation Policy?

The goals, and hence the focus, remain contested.

- > Magnitude and nature of the hazards and their potential impacts (and uncertainty about that, when, where, etc) – **a Hazard focus**
- > Magnitude and nature of what’s at risk – the things we value (and uncertainty or at least imprecision about that) – **an Asset focus**
 - Who owns, or is responsible for, these assets? Does it matter whether Private sector or Governments? What is their willingness and ability to make the correct decisions about the assets?
- > Private and social capacity to either defend, avoid, or accept and absorb, the potential losses – **an adaptive capacity or resilience approach**.
 - Does this depend on the level of human, social and financial capital resources one has access to? The greater the bank balance, or the greater the social capital, the greater the ability to withstand a shock of given size and hence the less the urgency/imperative to adapt?

Does thinking about *MAL-adaptation* – too much or too little; too soon or too late; too much emphasis on physical, or mechanical, defences rather than social, institutional or financial responses – provide greater clarity? or does it just give a mirror-image of the same questions and confusion?

Session 2 - Evidence of how adaptation is proceeding in Australia

So how are we doing in Australia, in adapting, or at least preparing to adapt? And from what evidence do we reach that conclusion?

Barriers to adaptation

Those who think that progress and responses to date have been much less than should have been (on what basis?) tend to focus on **barriers and impediments**, or finding **stronger drivers of change**.

Strong 'survival' or 'self-interest' mechanisms should lead many people and organisations to spontaneously respond (eg Garnaut proposition) but will it be ideal, or even 'just adequate'?

Perhaps, in some contexts, but there are strong grounds to believe the response will be seriously deficient (*maladaptation*) in many cases (Which and why? Is it where the market failures are greatest?) ad hoc, reactive, individualistic adaptation measures **should** be much more expensive and deliver less adaptation 'bang for the buck' than coordinated, precautionary collective measures.

The background paper suggested there are 2 main schools of thought –

- a. Garnaut's "everyone will sort out what to do and adapt optimally, atomistically", or a variant, that people need to be provided with information and options first, then this will happen spontaneously.
- a. The techno-scientific approach that if enough detail can be produced by scientists, with sufficient confidence, then governments can direct what adaptation seems most desirable.

Are there other important schools of thought?

Reasons for non-, reduced- or delayed-adaptation?

- > Lack of information; lack of understanding; cognitive dissonance and other behavioural issues;
- > market failures; regulatory failures; perverse policies and institutional arrangements; or
- > is it simply that management time and expertise is finite – too many other, more pressing "balls in the air" so that managers in private sector or local governments simply defer whatever isn't critical to surviving this week or year.

A program of work could be implemented to **remove the barriers to effective adaptation** in the Australian economy.

- > A number of possible market and regulatory failures may be generating sub-optimal adaptation outcomes. For example, regulatory failures exist in the way that State and Commonwealth funds are allocated for repairing damaged infrastructure versus upgrading or moving damaged infrastructure (eg roads damaged by floods).
- > A thorough exploration of these barriers from the perspective of the market and regulatory failures could identify specific policy problems and solutions.

Note: The Productivity Commission has subsequently been asked to investigate these matters - see <http://www.pc.gov.au/projects/inquiry/climate-change-adaptation>

Session 3 - Policy intervention and design

What might a future adaptation policy address, and what policy instruments or approaches could be most useful?

The Role of Government

The general proposition that *'those best placed to manage a climate change impact should take adaptation actions, and those who benefit most should pay the costs'*, seems unobjectionable.

Governments should try to ensure that the right incentives are in place, for each context. But does this require creating new regulations, legislation, institutions etc, or updating or removing existing apparatus which is no longer 'fit for purpose' (typically because the rules/agreements were devised for a climate static world and become dysfunctional in a climate-changing world).

Is there anything novel or different about responding to climate change, of responding to all the other challenges that life throws up? Again, is CC a "threat magnifier" or at what point does it become a completely new threat?

Is governments' responsibility to those vulnerable to loss/dispossession due to climate change any different to responsibility to the vulnerable in other contexts (probably the same people: the poor, the under-skilled, disadvantaged, the aged...)? If million dollar beach houses are 'at risk', who cares apart from the owner? – not an issue of public policy?

Adaptation Policy Instruments

1. Removal/modification of perverse, obsolete, unnecessary regulatory impediments and fiscal arrangements:

- > Planning controls, (mainly Local Gov't level)
- > pricing and investment controls (IPART, ESC, etc)
- > CoA/State/LG road funding agreements and disaster relief funding
- > Exceptional Circumstances (sic!) drought relief
- > Heritage Building controls (are useless if a heritage building is destroyed because it couldn't be modified in order to be protected)

2. New Policy Reforms in Priority Areas

- a) CoA should investigate the "Insurer of last resort in catastrophes" issue – unlimited fiscal exposure for Treasury, which must be first capped then managed downwards for fiscal reasons, but also to address moral hazard and adverse selection which violate the general proposition above.
- b) *When you're in a hole, stop digging! In an emergency, first stop the bleeding!* Governments should seek to immediately stop or discourage **new** property developments that will clearly be "in harms' way" over their expected lifetime (either through regulatory prohibitions, or planning consent that's conditional on availability of insurance and acceptance of no/small or infrequent government safety net).
- c) Use the time available before catastrophes become more severe/frequent (the 'training wheels' period) to explore new multi-stakeholder, multi-dimensional arrangements, eg
 - i) Specific Local Government planning controls
 - ii) State and CoA investments in specified preventative measures
 - iii) Insurance industry commitment to continue to provide conditional cover in specific areas, subject to LG and State and CoA actions
 - iv) Insured parties responsibilities and behaviours, with agreed and transparent sharing of risks, costs and benefits.

- d) Explore novel use of existing instruments and institutions eg
- i) bankers and insurers ask companies to produce a coherent CC Adaptation strategy as a precondition to continued business relationship. If not produced or unsatisfactory, either no loan or insurance, or only with a surcharge reflecting greater risks
 - ii) ASX/ASIC/AICD emphasise that company Directors who fail to put in place appropriate measures to safeguard their company against climate risks could be held accountable for breach of their fiduciary responsibilities, and therefore sued or debarred in event of serious loss.
- e) If ‘Mainstreaming’ in the private sector, in other agencies and in other tiers of government is important as the end-game, is it possible that a major impediment to that is the DCCEE’s focus on adaptation as a discrete, distinctive, stand-alone activity divorced from every-day mainstream activity?

Other specific issues for government:

- Government as asset owner and service provider – factoring in adaptation (Centrelink example an interesting one).
- Clarifying public good responsibility in climate adaptation (leadership on major environmental assets, etc).
- Initiating a process similar to competition policy review and reform, to modify or repeal existing measures that impede/inhibit adaptation.
- Thinking more clearly about what government wants/needs from its significant investment in climate research and how to better direct this.

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