

'Unsafe' to ignore climate risks: APRA



APRA's Geoff Summerhayes. Jessica Hromas



by Joanna Mather

The prudential regulator says it is "unsafe" to ignore climate risks just because the topic is controversial, as at least one of the major banks reviews the mortgage risk associated with rising sea levels.

Australian Prudential Regulation Authority member Geoff Summerhayes told a Senate committee on Wednesday that an uncertain outlook should not be an excuse for inaction.

"To be clear, APRA is not suddenly elevating climate-related issues to the top of our priority list," he said. "What we are flagging is that climate risk is something that has to be more actively considered, even if the risks are ultimately judged by APRA-regulated entities to be minimal or manageable."

It was a repeat of the warning he issued in February, when he told an Insurance Council conference that **climate change risks were "foreseeable, material and actionable now"**.

It was the first time an APRA representative had spoken so explicitly about climate change risk.

Mr Summerhayes' comments come after Greens MP Adam Bandt questioned the chief executives of the big four banks about climate-related risks during separate hearings of a House of Representatives committee.

ANZ Banking Group boss Shayne Elliott told Mr Bandt the bank was assessing rising sea levels as a potential risk factor in relation to future mortgages. "Essentially it is about rising water levels," he said. "As a bank lender, that is probably where we have the greatest risk."

"Certainly weather patterns or drought-affected areas would also be part of that, but the work that we are doing at the moment is more about the rising water levels."

Mr Bandt then asked: "Is that something that you may take into account for future borrowing, either from the perspective of whether to grant or perhaps from a loan-to-value ratio perspective?"

"Yes," Mr Elliott said.

The big four have all publicly supported the international agreement to limit global warming to less than 2 degrees above pre-industrial levels.

Mr Bandt asked Commonwealth Bank of Australia chief executive Ian Narev whether the bank was reviewing its loan book to determine whether it was exposed to any stranded fossil fuel assets.

"We are constantly reviewing the sustainability of all our exposures," Mr Narev said, adding that the bank had decided not to take or renew loans based on its own policies and processes regarding environmental sustainability.

Asked whether the bank took sea levels into consideration when evaluating mortgages in low-lying areas, Mr Narev said: "Not specifically that I am aware of at this stage".

"We are still in an environment where even in our political environments people cannot agree on what the appropriate policies might be relating to the environment," he said.

"In that circumstance you will appreciate that as a major bank it is very difficult for us to be the instrument of implementing climate policy, despite the fact that we have, on the record, been very clear about our concerns about environmental sustainability."

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