



Advertisement

Policy Energy And Climate Carbon pricing

# Global bankers warn Australian investors on carbon risk

**Jacob Greber** *Senior correspondent*

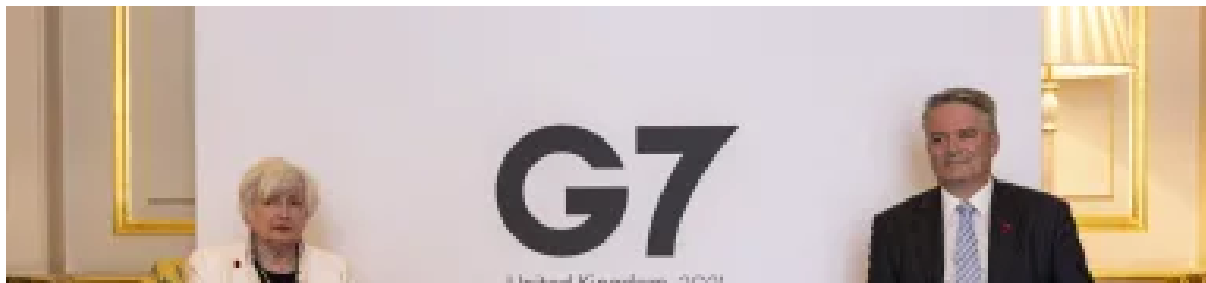


Jun 7, 2021 – 5.00am



Australian government bond issuers, companies and boardrooms face an accelerating global push towards forced disclosure of climate risks that investors warn could hamper or raise the cost of the [country's access to global capital](#).

A major meeting late last week of central bankers – organised and hosted by the Switzerland-based Bank for International Settlements – and a [separate G7 finance ministers' meeting](#) in London on Sunday also put Australian regulators as well as state and federal treasurers on notice that international scrutiny of carbon risks and emissions could soon become mandatory.



## FINANCIAL REVIEW



US Treasury Secretary Janet Yellen and OECD Secretary-General Mathias Cormann at this weekend's G7 summit that included a new call for better climate change financial disclosures. **AP**

The global shift, which has [quickened following the election of Joe Biden and ahead of this year's UN climate summit in Britain](#) later this year, raises the stakes for Australian money managers, particularly if the country fails to counter a [deepening global perception that it is a laggard on climate policy](#).

“There’s active discussion going on at the G7, G20 and central banks are co-ordinating, and if Australia is not careful and takes a wait-and-see approach, many of our international institutions are going to be covered by mandatory regimes,” said Erwin Jackson, director of the Sydney-based Investor Group on Climate Change, whose members include industry and retail super funds overseeing more than \$2 trillion in assets.

“We’ll have a dog’s breakfast for investors and companies because we won’t have the clarity we need to play in those markets,” Mr Jackson said.



Advertisement

## FINANCIAL REVIEW

commissioner Cathie Armour to resources companies – Mr Jackson said there is an urgent need for a co-ordinated approach.

“There’s an exponential rate of growth in these kind of measures going on globally and we need clarity from Australia and Australian regulators about what Australia’s role is going to be.”

## G7 pledges to ‘green the financial system’

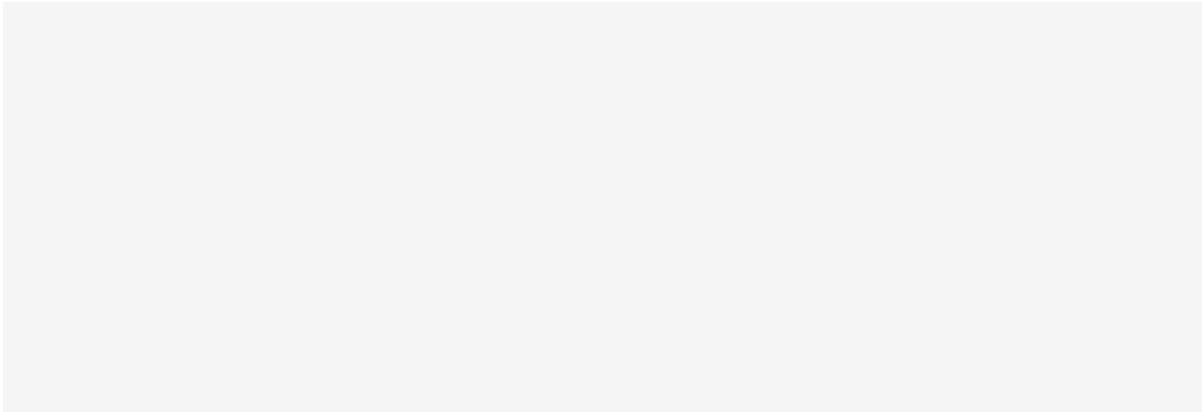
The Reserve Bank of Australia and Treasury are understood to be monitoring developments closely and have found themselves answering questions about Australia’s fossil fuel exports from foreign counterparts that buy sovereign debt. So far, the Australian government has been silent on the latest global developments.

Group of Seven finance ministers and central bank chiefs declared after their meeting that there is a growing need to “green the financial system so that financial decisions take climate considerations into account” and backed calls for mandatory climate-related financial disclosures on a uniform basis.

The group said in a post-meeting statement that there is growing demand for more information on the impact that firms have on the climate and the environment.

---

“We recognise that many jurisdictions and organisations are already developing impact reporting initiatives, including but not limited to reporting on net zero alignment and broader sustainability metrics.”



## FINANCIAL REVIEW

Officials pose after the G7 meeting. From left: EU Economy Commissioner Paolo Gentiloni, Eurogroup President Paschal Donohoe, World Bank President David Malpass, Italian Finance Minister Daniele Franco, French Finance Minister Bruno Le Maire, Canadian Finance Minister Chrystia Freeland, British Chancellor of the Exchequer Rishi Sunak, IMF Managing Director Kristalina Georgieva, German Finance Minister Olaf Scholz, US Treasury Secretary Janet Yellen, Secretary-General of the OECD Mathias Cormann and Japanese Finance Minister Taro Aso.

The G7 push was bolstered by the world's most powerful central bank chiefs, who attended the BIS' virtual Green Swan summit, underscoring a twin challenge for Australian governments and companies; momentum is growing for global standards of disclosure, and that costs may rise for sovereign debt issuers in economies with high carbon emissions.

European Central Bank President Christine Lagarde told the BIS summit that central banks would be failing to do their jobs if they didn't account for climate when understanding and measuring inflation.

"We would be failing on our mandate if we do not measure the impact that climate change has on the assets that we hold, on the assets that we buy, and on the collateral that we have in stock," Ms Lagarde said.

US Federal Reserve chairman Jerome Powell said that "anything that can affect the outlook for the economy can, in principle, affect monetary policy".

---

"So climate change would certainly qualify for that."

## China to make climate disclosure mandatory

People's Bank of China Governor Yi Gang urged the world's politicians to ramp up efforts to make global finance more green and revealed China has plans to make disclosure of climate and carbon emissions mandatory in future.

## FINANCIAL REVIEW

“Our goal is to make a uniformed disclosure standard, and in the future, we will go in the direction of mandatory disclosure of climate-related information,” said People’s Bank of China governor Yi Gang. **AP**

“Our goal is to make a uniformed disclosure standard, and in the future, we will go in the direction of mandatory disclosure of climate-related information,” Mr Yi said on Friday.

The remarks underscore the degree to which central banks and regulators are becoming entangled in questions of how and whether to manage the consequences of climate change on financial markets and assets. Such comments were rare even a year ago.

---

France’s central bank governor, François Villeroy de Galhau, told the *Financial Times* last week that talks between government and central bank officials on new climate risk disclosure rules were progressing faster than expected.

He also implied an international framework could be agreed in time for November’s UN COP26 climate conference in Glasgow.

“Proper disclosure should become mandatory – I would expect this as a first step,” he said. “Nobody expected six months ago for us to go as quickly as we did and to say perhaps we could have a positive conclusion on mandatory disclosure at the COP26.”

## FINANCIAL REVIEW

### moving

[Bank of England](#) governor Andrew Bailey said the central bank's interest rate setting committee for the first time discussed the economics of climate change.

"When it comes to climate change, we cannot stand still," Mr Bailey told the BIS conference. "We need to continue to be bold and learn from our work so far to deepen our understanding and inform future actions."

Simon O'Connor, chief executive of the Responsible Investment Association Australasia – which led the establishment of last year's Australian Sustainable Finance Initiative to help banks and insurers increase transparency on climate risks – described the weekend's BIS and G7 meetings as "significant and fast moving".

"You've got the major global central banks sitting around talking about climate change and the financial consequences," Mr O'Connor said. Meanwhile, the "climate conversation in Australia misses the global shift".

---

**I would be boggled if we are immune from those trends and we're already showing we're not.**

— Tennant Reed, Australian Industry Group

"But unfortunately, our capital markets are linked globally. All our banks and insurers have to navigate this and it's made difficult for our country not having strong nationalised targets in place.

"It means we have to navigate global regulatory requirements without a strong net zero trajectory in Australia."

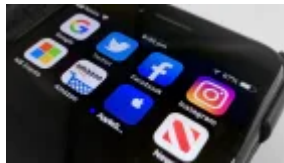
## FINANCIAL REVIEW

---

across resources and energy sectors, said Tennant Reed, Australian Industry Group's principal national advisor on public policy.

“And that’s been happening more or less in the absence of a national policy requirement,” he said. “This has been happening in the private sector and a sense of growing awareness from financial regulators and [Australian state] treasuries that this was important.”

---



### RELATED

**New G7 deal doesn't guarantee big tech tax windfall for Australia**

---



### RELATED

**G7 tax deal pressures 30pc company rate**

---

Creating standard governance and disclosure rules around climate will also depend on the size of businesses involved, Mr Reed said, adding the government is already encouraging voluntary reporting.

Whether those efforts are enough for offshore jurisdictions is an open question.

---

---

“If these expectations become cemented overseas, inevitably that is going to affect Australian finance and businesses which are deeply intertwined with overseas operations in overseas jurisdictions.

“I would be boggled if we are immune from those trends and we’re already showing we’re not.”

Mr Jackson cautioned there is a significant financial danger for Australia in taking a wait-and-see approach to the global developments.

# FINANCIAL REVIEW

“We need financial regulations to keep up, and it’s emerging as one of the key planks for the role governments can play unlocking trillions in low-carbon investments.

“Global capital markets will come to Australia when they feel more confident the disclosures being put forward are real and actionable,” Mr Jackson said.

“Investors aren’t going to come to countries where disclosure is very poor.”

## Expert coverage of Australia’s public sector.

Sign up to the Inside Government newsletter.

SIGN UP NOW

**Jacob Greber** writes about politics, economics and business from Canberra. He has been a Washington correspondent and economics correspondent. *Connect with Jacob on [Twitter](#).*  
*Email Jacob at [jgreber@afrc.com](mailto:jgreber@afrc.com)*



Save



Share

License article

### READ MORE

Carbon pricing



RBA



APRA



### LATEST STORIES

Defence

#### ASIC accuses Austal of misleading, deceptive conduct

17 mins ago

Retail

#### Dan Murphy’s debacle shows need for Indigenous voice

24 mins ago