

READY FOR NET ZERO

The race to reduce emissions is gaining momentum across Australia, but what do organisations need to do between now and 2050 to ensure they get over the finish line?

Good governance and board focus are crucial to ensuring that climate change receives the whole-of-company response it requires, says Peter Holt GAICD, General Manager Strategy of climate risk and energy consulting firm Energetics. “It requires organisational and cultural transformation and a balancing of long-term thinking with short-term business priorities, which is often disconnected within organisations. Boards and CEOs typically understand where an organisation needs to get to, but they need to take that through the organisation. The middle layer needs to be incentivised and aligned and empowered by transformation, and that’s where the hard work needs to occur.”

Changing risk appetites

Holt describes “waves of momentum” in Australia’s approach to climate change. “We went from Australia being arguably a leader at the turn of the century to a laggard over the last decade or so,” he says. “But we’ve experienced the physical impact of climate change quite dramatically in Australia in recent times — from multiple floods to bushfires so extreme they’ve been renamed mega, giga and terra fires. We are living in a very different physical world and the business and financial community



have seen these risks coming.”

Holt adds that most boards now understand climate and net zero issues, but are weighing up their risk appetite and how quickly they need to act.

“The key risk is the rate of transformation,” he says. “It’s been very difficult for organisations — particularly with political uncertainty around climate policy — to provide firm direction with confidence. Now, financial investors are rapidly moving capital into lower-risk opportunities that have factored in the decarbonising economy, support the clean energy transition or have demonstrated climate resilience.

“At the same time, consumer behaviour is changing and the expectations for more sustainable, carbon-neutral products is increasing dramatically. Boards need to manage dynamic risks using uncertain and evolving information. This requires a significant shift in thinking and approaches to the way decisions are implemented.”

Empowering transformation

Energetics has recently undergone a transformation of its own, with a rebrand that integrates the 1.5°C mission into the name and logo.

“We are focused on the global challenge to limit global warming to 1.5°C,” says Holt.

Energetics aims to help empower organisations’ climate transformation, he says. “When an organisation sets its net-zero strategy, what impact does this have on its risk profile? What does it actually need to do? How does it need to invest and how do skills need to be augmented to seize new opportunities, such as those in energy storage, electric vehicles, integration of renewables into the grid or more sustainable materials for construction?”

Holt adds that interim targets may help business set the course to 2050. “The bulk of Australian businesses are yet to get into the nitty gritty detail of what to do, when to do it and how quickly they need to change their core activities against a backdrop of changing technology, a changing marketplace, changing risk appetites and a very dynamic global environment.”

He stresses that climate risk is a board responsibility. “The risks and opportunities are cross-functional and must be managed across a whole organisation.”

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