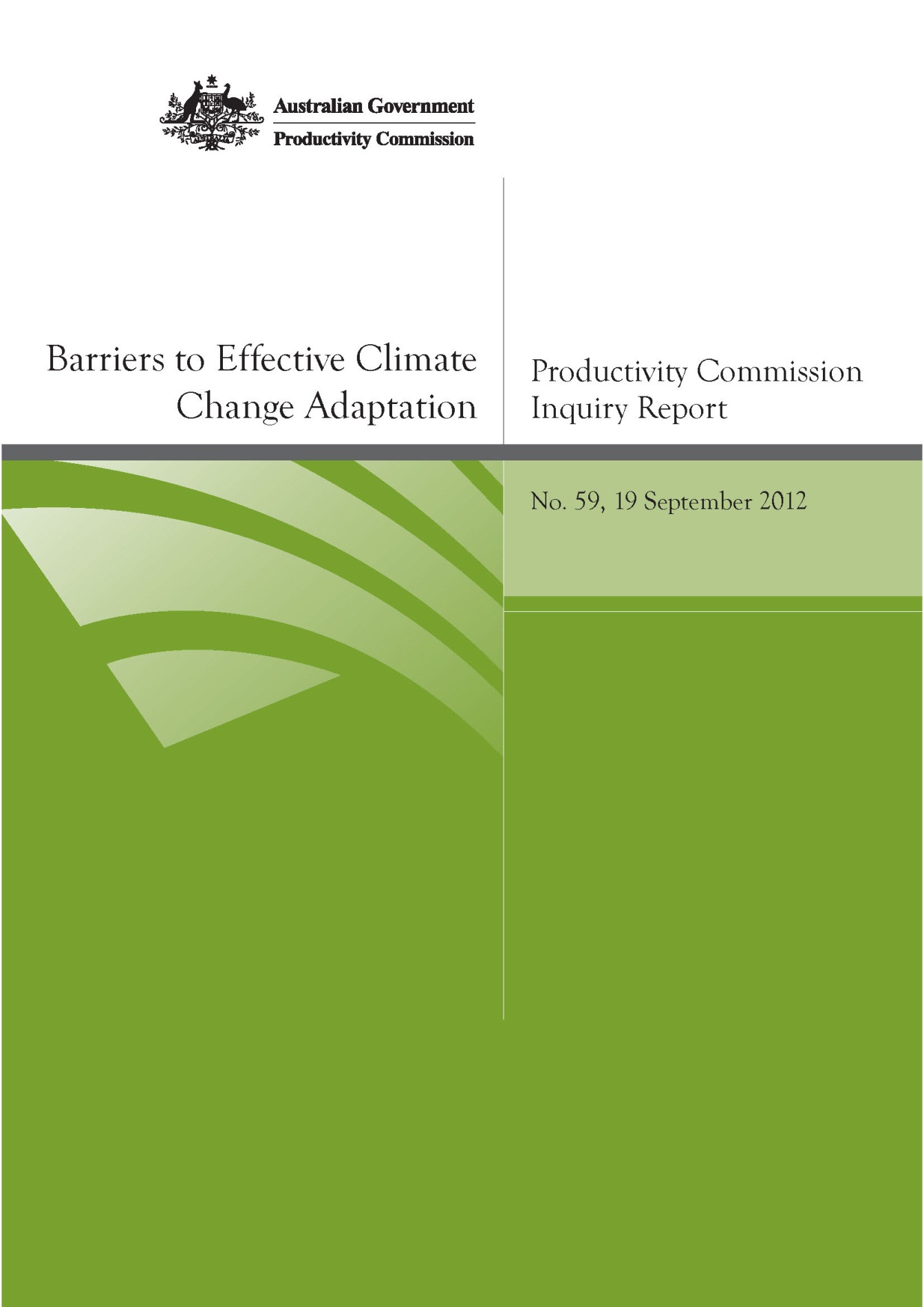
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***The Productivity Commission***

The Productivity Commission is the Australian Government’s independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long term interest of the Australian community.

The Commission’s independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

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The Hon David Bradbury MP  
Assistant Treasurer

Parliament House

CANBERRA ACT 2600

Dear Assistant Treasurer

In accordance with Section 11 of the *Productivity Commission Act 1998*, we have pleasure in submitting to you the Commission’s final report into the Barriers to Effective Climate Change Adaptation.

Yours sincerely

|  |  |  |
| --- | --- | --- |
| Wendy Craik  Presiding Commissioner | Jonathan Coppel  Commissioner | Neil Byron  Associate Commissioner |

Terms of reference

### Productivity Commission Inquiry into Regulatory and Policy Barriers to Effective Climate Change Adaptation

I, Bill Shorten, Assistant Treasurer and Minister for Financial Services and Superannuation, pursuant to Parts 2 and 3 of the *Productivity Commission Act 1998* hereby request that the Productivity Commission undertake an inquiry into regulatory and policy barriers to effective climate change adaptation. The Commission will report within 12 months of receipt of this reference and will hold hearings for the purpose of this inquiry.

### Background

Climate change adaptation is action by households, firms, other organisations and governments to respond to the impacts of climate change that cannot be avoided through climate change mitigation efforts. An effective national adaptation response will require all levels of government, the private sector and intermediary markets to contribute to that response.

This inquiry will assist COAG to advance climate change adaptation reforms in Australia by examining the policy frameworks required to facilitate effective adaptation, and the costs and benefits of various adaptation options so as to identify the highest priority reforms. In undertaking this review the Commission will also assess the effectiveness and efficiency of market based approaches in facilitating adaptation.

### Scope of the Inquiry

The Commission is requested to assess the regulatory and policy barriers to effective adaptation. In undertaking the review, the Commission should identify any specific barriers that may act to inhibit effective adaptation to unavoidable climate change.

The Commission should identify high priority reform options to address any identified barriers to effective adaptation. The Commission should also:

* examine the costs and benefits of the options to address those barriers where it is feasible to do so, including a 'no change' (maintaining the status quo) option; and
* assess the role of markets (including insurance markets) and non-market mechanisms in facilitating adaptation, and the appropriateness of government intervention.

In undertaking its inquiry, the Commission should take into account the relevant policies of all levels of government and the work on adaptation undertaken under the auspices of COAG. The Commission should consult with relevant Australian Government, state and territory and local government agencies, and other key stakeholders.

The Commission is to provide both a draft and a final report, and the reports will be published. The Government will consider the Commission's recommendations, and its response will be announced as soon as possible after the receipt of the Commission's report.

BILL SHORTEN

20 September 2011

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B Australian approaches

C International approaches

D Economic modelling and adaptation to climate change

# Abbreviations

ABARE Australian Bureau of Agricultural and Resource Economics

ABARES Australian Bureau of Agricultural and Resource Economics and Sciences

ABCB Australian Building Codes Board

AER Australian Energy Regulator

BCA Building Code of Australia

BOM Bureau of Meteorology

CAPP Coastal Adaptation Decision Pathways Program

CIPMA Critical Infrastructure Program for Modelling and Analysis

CGE Computable General Equilibrium

COAG Council of Australian Governments

CSIRO Commonwealth Scientific and Industrial Research Organisation

DCCEE Department of Climate Change and Energy Efficiency

GDP Gross Domestic Product

GIAM Global Integrated Assessment Model

GTAP Global Trade Analysis Project

GTEM Global Trade and Environment Model

IAM Integrated Assessment Models

ICES Inter‑temporal Computable Equilibrium System

IPCC Intergovernmental Panel on Climate Change

LAPP Local Adaptation Pathways Program

LRP Legislative Review Program

MMRF Monash Multi-Region Forecasting

NCC National Construction Code

NCCARF National Climate Change Adaptation Research Facility

NDRRA Natural Disaster Relief and Recovery Arrangements

NPA‑NDR National Partnership Agreement on Natural Disaster Resilience

OECD Organisation for Economic Co-operation and Development

PC Productivity Commission

PE Partial Equilibrium

RIS Regulation Impact Statement

SCCC Select Council on Climate Change

TISN Trusted Information Sharing Network

UNDP United Nations Development Programme

UNFCCC United Nations Framework Convention on Climate Change