

17 May 2012

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Barriers to Effective Climate Change Adaptation
Productivity Commission
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Dear Yvette

Response to the Draft Report – Barriers to Effective Climate Change Adaptation

BlueScope Steel Limited (BlueScope) welcomes the opportunity to provide a response to the Productivity Commission's Draft Report – Barriers to Effective Climate Change Adaptation.

BlueScope will provide comment on four Draft Recommendations and one Information Requests that relate to our industry and markets and will defer to other stakeholders to provide comment on other sections of the draft report.

Draft Recommendation 4.1

Reforms to address barriers to effective risk management in the current climate should be implemented without delay, where they are likely to deliver net benefits. In relation to barriers to adaptation to uncertain future climate trends, the case is less clear.

- *Where a reform has low up-front costs and potentially large benefits, albeit with long time periods between the costs being incurred and the benefits being received, there could be a case for preparatory action. The case is likely to be stronger if the reform will deliver benefits under a range of climate change scenarios.*
- *Where measures have high up-front costs, the community is likely to benefit by deferring high-cost options until better information becomes available.*

BlueScope's response

- BlueScope supports reforms that deliver net benefits under existing climate conditions. In Australia's recent past there have been numerous extreme weather events (e.g. cyclones, floods, hail storms, bush fires, heat waves) that have resulted in major impacts on our communities, the built environment and the economy. Reform that improves resilience to the variability in the existing climate should be implemented with urgency;
- BlueScope supports reforms that deliver net benefits from adaptation under a range of climate scenarios;
- BlueScope understands the argument for deferring high up-front cost investments until better information becomes available but has concerns this approach could in itself become a barrier to effective adaptation.

The report recommends using a 'real options' approach to manage high cost / high uncertainty climate change adaptation investment decisions. BlueScope would like to highlight some concerns about this approach.

- A real option approach may be a useful tool when change is gradual, hurdles can be measured and tracked over time and rational investment decisions are made if / when the hurdles are breached. A real option approach may be inadequate in a volatile climate scenario, where extreme weather events are unpredictable and consequences for individuals, communities, the built environment and ultimately the economy are potentially very large.
- There is a potential that a real option approach would be seen as a way of implementing a “do nothing” approach. A real option approach would need to be rigorously designed and implemented to ensure effective adaptation outcomes are not compromised.
- A real options methodology is a sophisticated approach to investment decisions. For effective adaptation outcomes to be delivered using this methodology it will need to:
 - Be designed and implemented in a manner that maintains the integrity of the methodology and process over time and not be compromised by political winds;
 - Be committed to and followed over the long term (25 – 50 years) to ensure consistent investment decisions are made as triggers are breached;
 - Identify what investment is needed up front to enable an effective phased approval of total adaptation solutions. This needs to be achieved to ensure quick implementation of adaptation investments once hurdles are breached.
- Supporting processes and regulations may need to be redesigned to incorporate the flexibility needed for a real options approach to deliver effective adaptation. This would include long term planning processes, budgeting, environmental assessment processes, approval processes etc.

Draft Recommendation 8.2

As a priority, the Building Ministers' Forum should ensure that the National Construction Code and associated standards (including those developed by Standards Australia) take climate change impacts into account. As soon as practicable:

- *the Building Ministers' Forum should provide a formal response to the Australian Building Codes Board's 2010 review of the Building Code of Australia under climate change*
- *the Australian Building Codes Board should develop a formal work program that outlines its approach to incorporating climate change in the National Construction Code over time. This work program should reflect any formal government response to the 2010 review of the Building Code of Australia.*
- *the Australian Government should give consideration to the public funding requirements for the Australian Building Codes Board and Standards Australia to undertake this work*

BlueScope's response

BlueScope strongly supports the incorporation of climate change impacts in the National Construction Code and associated standards; the development of a work program to incorporate climate change and the provision of adequate funding to support this development. BlueScope also believes that:

- The process for developing building codes should be streamlined to ensure improvements can be implemented in a timely manner;
- The objective of improving durability of buildings should be added to the National Construction Code's existing objective of reducing risks to human life;

- The codes should recognise the relationship between durability of the built environment, design for climate and the intrinsic performance characteristics of building materials;
- The codes and associated standards need to be forward looking, be responsive to climate change as it unfolds and be performance / outcome based;
- The codes and associated standards need to actively encourage innovation and improvement in the built environment;
- There needs to be consistency of application of codes and associated standards across states, climate zones, risk profiles and building materials so as to remove complexity, improve consistency and ensure building resilience is not compromised;

Draft Recommendation 8.3

The Council of Australian Governments' Select Council on Climate Change should consider, as part of its adaptation work plan, appropriate responses to managing the risks of climate change to existing settlements in high-hazard risk areas.

BlueScope's response

BlueScope supports the inclusion of existing settlements in the Australian Governments' Select Council on Climate Change adaptation work plan as these make up a majority of the building stock that need to adapt to a changing climate. This work plan should consider the needs at different times in a building's life including 1) the role codes and regulations during renovations or rebuild after a serious weather event (e.g. design for improved resilience and material choice), and 2) building adaptation assessment / information made available at the time of a building's sale or lease.

BlueScope also recommends the Select Council include in the workplan an investigation of the role of decentralised utilities and services (e.g. water, electricity) as a way of mitigating the consequences of systemic failure of centralised infrastructure during extreme climate and weather events.

Draft Recommendation 10.1

The Australian Government should commission an independent public review of the Natural Disaster Relief and Recovery Arrangements. This review should commence as soon as possible and desirably produce a preliminary report by the end of October 2012. The review should consider whether the arrangements lead to inadequate infrastructure investments or insurance decisions, or reduce the incentives of state and territory governments to appropriately manage their risks. It should also examine alternative arrangements or funding models.

BlueScope's response

BlueScope recommends that any review of the natural Disaster Relief and Recovery Arrangements include a review of the investment drivers and decisions making processes during the disaster recovery phase. Whilst speed of rebuild is a critical element of the recovery phase, priority consideration also needs to be given to rebuilding for improved resilience in a changing climate.

This will be a very important element of effective adaptation, especially if a real option approach to adaptation investment is adopted. It is likely that over time the extreme weather events that trigger the Natural Disaster Relief and Recovery Arrangements will be the same triggers that escalate adaptation action and investment under a real option approach. Under this approach, the falling back to a "like for like" rebuild because it is quicker, easier or initially cheaper will crystallise a new barrier to effective climate change adaptation.

Information Request 8.3

The Commission is seeking submissions on gaps or overlaps between land-use planning and building regulations that may act as barriers to adaptation.

BlueScope's response

BlueScope believes that it is critical to keep land use planning, state environmental planning and building codes and associated standards aligned and consistently up to date with best available mapping of risk and climate change scenarios to ensure consistency of application and decisions.

Yours faithfully

Richard Rowe
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