

## Statement on 10% Mandatory Renewable Energy Target - Insurance Australia Group

Climate change will bring serious economic, social, environmental and health risks to all people and nations.<sup>1</sup> Insurance Australia Group (IAG) believes that human-induced climate change is now a reality and that it must be addressed with appropriate urgency. We base this assessment on a combination of the science of climate change presented by the Intergovernmental Panel on Climate Change (IPCC) and associated modelling, work done by the re-insurance sector (Swiss re and Munich Re), and on our own modelling, research and claims experience.

The role of insurance in underwriting weather-related risk is an important component of the national economy. Any reduction in the industry's ability to underwrite weather-related risk will have serious ramifications for the communities and economies of those vulnerable regions where climate and weather risk is greatest. Australia has enormous potential to suffer from impending climate change. More than 80% of its population resides within 50 km of the coast with increasing concentrations in regions already vulnerable to weather hazards.<sup>2</sup>

Over the past 15 years, IAG has paid over \$1,3 billion in weather-related Home and Motor insurance claims in NSW alone. The 1999 Sydney Hailstorm alone accounted for \$1.7 billion in losses across the insurance industry.

IAG has publicly stated that a likely increase in frequency and/or severity of extreme weather events - more fires, bigger floods, longer droughts, wilder storms or a variety of other equally catastrophic outcomes – make the case for decisive Australian and global initiatives to combat climate change.<sup>3</sup>

The electricity generation sector is both the largest and the fastest growing contributor to national greenhouse gas emissions, with coal-fired generation accounting for 90% of sector emissions.<sup>4</sup> Replacing coal with renewable forms of energy would thus contribute significant reductions in national greenhouse gas emissions.

IAG believes that the Federal Government's Mandatory Renewable Energy Target is an important and effective tool for accelerating the shift towards clean, renewable energy sources. Many developed nations have already adopted policy measures to increase the use of renewable energy. A 10% MRET by 2010 would be consistent with European and US Targets<sup>5</sup>, and would see 21% of Australia's energy needs in

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<sup>1</sup> IPCC (Intergovernmental Panel on Climate Change), 2001. Climate Change 2001: The Scientific Basis.

<sup>2</sup> CSIRO, 2002. Climate Change and Australia's coastal communities. CSIRO Atmospheric Research, Aspendale Victoria.

<sup>3</sup> Coleman T, Chief Risk Officer, IAG (2003) 'Expect more bushfires as the world warms,' *The Australian*, January 29

<sup>4</sup> McLennan Magasanik Associates (2002), *Incremental Electricity Supply Costs From Additional Renewable and Gas-fired Generation in Australia*, a report commissioned by Origin Energy.

<sup>5</sup> The EU's average target is 22.1% by 2010 – in 1997, 13.9% of Europe's energy came from renewable sources (source: Energy Efficiency & Conservation Authority, New Zealand) ; California has a legislated 20% target by 2017.

2010 coming from renewable sources<sup>6</sup>. IAG views a 10% MRET as an important component of Australia's response to the urgent need to address human-induced climate change.

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<sup>6</sup> See note 4