



CHAMBER OF COMMERCE AND INDUSTRY QUEENSLAND SUBMISSION

- ▶ *Queensland Climate Adaptation – Directions Statement*
Department of Environment and Heritage Protection

December 2016

Introduction

1. The Chamber of Commerce and Industry Queensland (CCIQ) welcomes the opportunity to provide feedback to the Department of Environment and Heritage Protection on the *Queensland Climate Adaptation* Directions Statement.
2. The anticipated rise of extreme and unpredictable weather conditions such as floods, droughts, cyclones and rising sea levels will present several challenges for businesses around the State and our ability to participate in commerce globally.
3. Agriculture and tourism businesses are particularly vulnerable to the effects of climate change due to the seasonal nature of their outputs and the resources they rely on, both of which require favourable weather conditions.
4. According to the World Economic Forum's 2016 Global Risk Assessment Report, climate change is ranked as the number one business risk with nearly 75 per cent of suppliers in a recent survey believing it to present risks that could significantly impact their business operations, revenue or expenditure.
5. Both the government and the private industry are responsible in formulating a range of corporate actions on how businesses can manage the negative consequences of climate change and build resilience.
6. As such, the Queensland business community is strongly committed to balancing environmental sustainability with economic prosperity, and recognise their vital role in minimising the impact of their activities on the environment.
7. The most prevalent issue in relation to climate change for small businesses is their capacity to build resilience within their businesses, rising insurance costs and their inability to fund renewable energy initiatives through additional levies when electricity prices are already skyrocketing. Furthermore, the burden to businesses from more red tape and compliance measures will mean less resources to grow their businesses and employ more people, both of which have flow-on economic impacts.
8. CCIQ supports the government's focus on responding to climate change and looks forward to reviewing the action plan, soon to be released as part of the Queensland Climate Adaptation Strategy. Businesses look with anticipation for innovative measures for climate change mitigation, practical solutions for adaptation, and for there be a wider community approach to funding and implementation that does not unfairly place the onus solely on the business community.

Building resilience and insurance

9. Businesses have experienced detrimental impacts in a number of areas as a direct result of rising insurance premiums. Many businesses have noted their inability to pass these costs on to the consumer, particularly those engaged in competitive markets.
10. Many businesses have had to absorb the increases themselves. CCIQ's 2014 survey of business insurance premiums (as part of the quarterly CCIQ Pulse Survey) revealed that 51.3

per cent of businesses reported decreased profitability in their everyday operations as a result of rising premiums. Another 26.1 per cent reported decreased investment as a result of higher insurance costs. Decreased profitability and investment directly impact on a businesses' ability to remain competitive and viable.

11. More extreme weather events, from floods to droughts to intense coastal storms, means bigger losses for insurers who then suffer increased "reinsurance" costs, which in turn contributes to the increase in consumer's insurance premium.
12. Additionally, some insurance companies have introduced automatic flood cover to their insurance policies. Many insurers are scaling premiums to match flood map assessments and if businesses are in a flood risk area, this usually equates to higher premiums.
13. The cost of rising insurance premiums is a major constraint on businesses in Queensland. Escalating insurance costs are leading to concerns that some businesses may now be inadequately protecting their assets by under-insuring or foregoing insurance altogether. Approximately 12.3 per cent of businesses reported that they are underinsured and 4 per cent have discontinued their insurance cover.
14. CCIQ has been alerted to growing concerns regarding soaring costs of insurance premiums, particularly in North Queensland, Far North Queensland and South West Queensland following natural disaster events.
15. CCIQ's survey found Queensland businesses attributed rising insurance premiums mainly to external factors including insurance companies operating costs and profit margins (62.6 per cent), the direct result of natural disasters (51.3 per cent) and the indirect result of natural disasters through cross subsidisation (44.3 per cent).
16. Queensland business reported an average premium increase of 58.2% as part of their latest insurance renewal (July 2014). On average 5.74 per cent of overall business costs are comprised of insurance premiums.
17. Rising premiums have led to decreased profitability for more than half of Queensland's businesses (51.3 per cent) and decreased investment for 26.1 per cent. Two in five businesses have changed insurance companies as a result of rising prices.
18. Strong support is provided by businesses for standard definitions for all types of coverage and insurance terms, increasing competition (particularly in regional areas), better regulation of the insurance industry and the State Government building better flood and cyclone mitigating infrastructure.
19. It is imperative that the Government keep in mind that many small businesses are often constrained by what mitigation and adaption measures they can practicably do due to their leasing arrangements or other tenancy restrictions. Small businesses often need to rely on the local councils to put in place adequate building standards, for which developers and landlords must abide by, to mitigate the impacts of climate change upon the operation of the businesses.

Electricity pricing impacts and views on renewable energy

20. It is the high cost of electricity which has particularly been a contentious issue for Queensland's small businesses for the past decade. As electricity is an essential input into nearly every good or service, its price is a key influence on the competitiveness of Qld businesses.
21. Recent CCIQ surveys show that of those businesses surveyed, increasing electricity prices is currently the most significant business issue with 65% of survey respondents indicating a major or critical concern with the cost of energy.
22. CCIQ's survey revealed that as a result of rising electricity prices over the past decade:
 - 40 per cent of SME respondents had experienced decreased/substantially decreased profitability;
 - 23 per cent had decreased/substantially decreased investment; and
 - 34 per cent had increased/substantially increased supply chain costs.
23. SME's have communicated they have done all they can do to reduce usage and exercise operational efficiencies. Despite these changes many are reporting that their prices are continuing to increase.
24. Businesses have indicated that because of high electricity prices they are investigating alternative energy options, although there exists a diverse range of views among Queensland's small businesses when it comes to renewable energy.
25. Many are constrained by their situation depending on where they are located, if they are an owner or lessee and whether they have financial flexibility to explore alternative options.
26. Recent CCIQ surveys reveal that of those businesses who have adopted renewable energy sources, 73 per cent use solar. Additionally, of those surveyed, 84 per cent approved or strongly approved of increasing the use of solar, and 46 per cent disapprove or strongly disapprove the use of coal as an energy source.
27. While there has been an increase in uptake of renewable energy due to government subsidies over the past few years, cost remains the largest inhibitor in getting more SME's to adopt renewables such as solar PV and batteries.

Levies and taxes

28. Earlier this year, the State Government decided to not reintroduce a commercial waste levy. CCIQ strongly supported this move which unfairly targeted businesses. Commercial waste contributed only 26 per cent to waste sent to landfill with households contributing 40 per cent. Queensland was the only state in Australia where the waste levy applied only to businesses and not households.
29. However, more needs to be done to prevent southern states from dumping waste into south-east Queensland. It is estimated that about 10 per cent of Queensland's landfill last year came from interstate, particularly from New South Wales where the waste levy is around

\$133 per tonne. State Government figures reveal Queensland accepted 398,000 tonnes of interstate waste in 2014-15 mostly consisting of demolition and construction waste.

30. A whole-of-community approach is favoured by businesses rather than one which inequitably targets businesses. Queensland businesses already show a strong commitment to reducing waste and actively participate in available recycling and resource recovery programs.

Further enquiries

31. We thank the Department for the opportunity to provide comment and look forward to the release of the final strategy paper. Please contact Julia Mylne, Senior Policy Advisor, at jmylne@cciq.com.au for matters relating to this submission.