



Insurance Council
of Australia

Getting to Net-Zero

Policy recommendations
for federal and
state governments



With thanks

Thank you to the Insurance Council of Australia members, particularly the Net-Zero Working Group.

Acknowledgement of country

The Insurance Council of Australia acknowledges the Traditional Owners of country throughout Australia and their continuing connection to land, culture, sea and community. We recognise the tens of thousands of years of continuous custodianship and placemaking by First Nations peoples and their proud role in our shared future. This report was produced on the lands of the Gadigal people of the Eora Nation. We pay our respects to Elders past, present and emerging.

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Achieving Australia's net-zero vision

Australia is on a path to net-zero emissions by 2050 and strong action from federal and state governments is required to ensure this goal is reached.

Consistent climate change policies and targets provide a clear signal to Australian businesses and investors, giving them the confidence to invest in capabilities that will support them to lower emissions in their investment and underwriting portfolios.

Australia's target of net-zero emissions by 2050 and an interim target of 43% emissions reduction by 2030 on 2005 levels provides stability in the short-term, but with just six years remaining, Australia now needs to set a strong Paris-aligned 2035 target to maintain policy certainty over the next decade. Interim targets allow for better anticipation of future market conditions, technology trends, and regulatory requirements. This helps businesses and investors align their strategies and investments with the anticipated market trends, thereby reducing uncertainty and increasing investor confidence to make long-term investment decisions.

State and territory leadership is also important as many sectors, such as energy, buildings, and transport, sit directly within their policy domain. Currently only the ACT, Victoria and New South Wales have 2035 targets; other states have more work to do.

Federal, state and territory governments need to set effective policies that enable these targets to be achieved across energy, industry, resources, buildings, agriculture and transport. These policies should be coordinated to ensure a smooth and just transition to net-zero emissions at the lowest cost to consumers.

Australia should continue to actively engage in international collaborations and initiatives aimed at addressing climate change. This includes participating in forums such as the United Nations Framework Convention on Climate Change and its subsidiary bodies. Australia should continue to advocate for stronger climate action and international cooperation; and encourage other nations to increase their climate ambitions and align their policies with the goals of the Paris Agreement. By leading by example, Australia can motivate other nations to take more ambitious climate action.

The Insurance Council's advocacy

The Federal Government must:

- **Set a science-based emissions reduction target for 2035 that is Paris-aligned and consistent with Intergovernmental Panel on Climate Change (IPCC) timeframes.**

The Paris Agreement calls for holding the increase in temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C. Regular reporting on Australia's progress against national emissions reduction targets by the Climate Change Authority will assist with tracking progress.

- **Introduce a comprehensive set of policies that accelerate Australia's transition to a net-zero economy across all sectors.**

The Federal Government is developing six sector decarbonisation plans that cover all major components of the economy. These are electricity and energy, industry, resources, the built environment, agriculture, and land and transport. These sector plans should be supported by a comprehensive set of policies to deliver emissions reductions in line with the Paris Agreement, with more ambitious plans for sectors where reductions can be achieved at a lower cost, such as the electricity sector. The delivery of the electricity and energy decarbonisation plan is particularly important this decade as Australia ramps up renewable energy and storage, and expands transmission to replace fossil fuels.

- **Support place-based climate adaptation action with Indigenous communities.**

Indigenous communities have a deep and enduring relationship with – and connection and responsibility to – land, sea, and sky; a connection that is impacted by climate change. The Federal Government should prioritise establishment of a consistent and accessible national database for Indigenous communities at risk of key extreme weather events, for use by agencies to support place-based climate adaptation. Adaptation measures should be developed through respectful partnerships with Indigenous communities and recognise the traditional knowledge of and leadership by Indigenous communities.

State governments must:

- **Publicly commit to science-based emissions reduction targets for 2035 that are Paris-aligned and consistent with IPCC timeframes.**

While several states have set long-term emissions reduction targets of net-zero emissions by 2050, currently only the Australian Capital Territory (ACT), Victoria and New South Wales have set 2035 targets. Other jurisdictions should set 2035 interim targets to ensure they remain on track to meet the long-term target of net-zero emissions by 2050.

- **Fund energy efficiency upgrades via rebates for home-owners and renters.**

The liveability of Australia's existing housing stock could be improved substantially by introducing generous rebate schemes that reduce the cost of energy efficiency upgrades.

The ACCC must:

- **Provide guidance to businesses and industry associations on collaboration and cooperation agreements in support of climate action across an industry.**

This guidance could allow the type of initiatives that are permitted in other jurisdictions, particularly the United Kingdom and New Zealand. This would assist insurers to better understand how competition law applies to such arrangements and how to build and share best practice on emissions reduction across industry to achieve climate and sustainability goals. The ACCC could also use the class exemptions framework (thereby removing the need to apply for ACCC authorisation) to support sustainability initiatives. The Insurance Council welcomes the ACCC's creation of a sustainability taskforce that is well placed to include a focus on providing this guidance.



Reducing emissions in the transport sector

In 2023, the Federal Government released Australia's inaugural National Electric Vehicle Strategy, which has three objectives: to increase electric vehicle supply, to establish the necessary resources, systems, and infrastructure, and to encourage electric vehicle demand.¹

Transport is Australia's third largest and fastest growing source of greenhouse gas emissions and electrification of Australia's transport sector, including passenger and commercial vehicles, will play an important role in decarbonising our economy.²

There are also a range of challenges to be managed with transport electrification. Further investment and coordination in charging infrastructure is necessary to give consumers confidence to buy electric vehicles, and upskilling and training of technicians is vital to ensure cars can be appropriately maintained and repaired.

The Federal Government must also introduce a fuel efficiency standard to improve electric vehicle choice in Australia, and it should play a greater role in supporting the expansion of battery recycling. Australia's light and heavy commercial vehicle fleets for business also need to be electrified, which could be supported by a rebate of taxation concession scheme.

Increased consumer demand for alternative and less emissions intensive transport has led to a growth in imports of cheap, non-compliant e-scooters and e-bikes that can present a higher risk of battery fire and a higher risk of causing injury, fatality and property loss. This necessitates a stronger role for government in supporting research and enforcing regulations.

Insurers are already working in collaboration with governments and key bodies across industries to support the acceleration of Australia's electric vehicle transition, whilst appropriately managing emerging risks. Insurers look forward to continuing this work, to accelerate the transition to electric vehicles in Australia and facilitate faster decarbonisation.

1. [The National Electric Vehicle Strategy – DCCEEW.](#)

2. [Net-Zero-Tracker-Transportation-Sector-Report-June-2020.pdf \(climateworkscentre.org\).](#)



The Insurance Council's advocacy

The Federal Government must:

► **Introduce a fuel efficiency standard that brings Australia into line with EU standards.**

This will give consumers access to a wider choice of vehicle models that are cheaper to run and less polluting.

► **Strengthen regulation and enforcement for personal mobility devices, such as e-scooters and e-bikes, to ensure the importation and sale of safe equipment only.**

While the technical standards associated with personal mobility devices may be adequate, the broader regulatory environment for these products in Australia is presently inadequate, leading to the importation and sale of cheap, non-compliant products. Stronger regulatory enforcement activity around the importation and sale of this type of product will help to reduce the rising incidence of unsafe products.

► **Investigate opportunities to improve end of life management for electric vehicle batteries.**

Safely and effectively recycling electric vehicle batteries will be important to enable the responsible management of these assets through to end of life. Expanding existing recycling schemes could be an efficient solution, and the Battery Stewardship Council has been conducting consultation on this issue. Further investigation is needed to identify best end of life management practice for appliances that have undergone conversions from internal combustion engines to electric.

► **Introduce a scheme to incentivise the purchase of electric light and heavy commercial vehicles for business.**

Light and heavy commercial vehicles are used by insurers across their operations, especially for roadside assistance. A rebate or taxation concession scheme would encourage Australian businesses to replace ageing commercial vehicles and trucks with more efficient electric alternatives, reducing long-term operating costs and emissions. This would help to overcome the currently high purchase price of these types of vehicles, which is a major barrier to stronger uptake, especially for smaller businesses with lower margins.

Federal and state governments must:

► Invest in electric vehicle charging infrastructure.

Federal and state governments should increase funding commitments for electric vehicle charging infrastructure to ensure there is a comprehensive Australia-wide network in place by 2026. Where appropriate, co-investment in this infrastructure could occur alongside insurers. In addition, governments can explore with the private sector how to provide financial incentives to reduce the cost of installing home and commercial charging equipment.

► Improve national coordination of Australia's electric vehicle charging network.

National coordination is required to ensure infrastructure is built where it is most needed. Insurers, peak bodies, and state governments should collaborate to chart a path for insuring and incentivising the uptake of charging infrastructure in existing homes and apartments. Doing this will future-proof new housing by ensuring all new builds are electric vehicle-ready, as well as implementing and enforcing consistent safety standards on electric vehicle charger installation and maintenance.

► Upskill existing technicians and train new technicians to work on electric vehicles and associated infrastructure.

The Federal Government's New Energy Skills Program provides subsidised courses for eligible trades and this needs to be regularly reviewed to make sure all relevant courses for emerging industries are included.

► Invest in research and training for fire authorities and other first responders to enable safe management of electric vehicles involved in collisions and fires.

Research indicates that road registered electric vehicles do not present a greater risk of fire occurrence than internal combustion engine (ICE) vehicles³ and one study has found that they catch fire at about one-twentieth of the frequency of ICE vehicles.⁴ However, when electric vehicle battery fires do occur, they need to be managed differently, and may require more time, resources and firefighting water to manage the incident. More research and training will help to minimise the risks associated with electric vehicle fires. This could include supporting EV FireSafe to undertake a robust and independent review of global literature about electric vehicle fire safety in the built environment.

► Educate consumers about the safe operation and maintenance of electrified transport and charging infrastructure.

The fire risk associated with lithium-ion batteries can be minimised with appropriate operation, such as storing batteries in a cool, dry place, and by avoiding hazardous operation, such as charging batteries that have been damaged.

► Work with insurers to conduct evidence-based risk modelling to inform decision-making on the transition to electric vehicles.

Insurers are well-placed to provide advice on electric vehicle adoption, from ensuring charging infrastructure is built to withstand future extreme weather events or providing risk assessments on electric vehicle performance. Governments should work with insurers and collaborate with stakeholders such as building developers, original equipment manufacturers and charging station providers to facilitate the provision of verifiable and credible information to consumers.

State governments must:

► Reform laws governing written off vehicles to enable more vehicles to be safely repaired instead of scrapped, including electric vehicles.

Currently, written-off vehicle laws are applied inconsistently across states with New South Wales having an especially restrictive set of rules. Reforming these laws will be critical to strengthening the circular economy and will help to grow the second-hand electric vehicle market in Australia, contributing to an increase in supply and reducing prices.

3. Boehmer HR, Klassen MS and Olenick SM (2021) Fire Hazard Analysis of Modern Vehicles in Parking Facilities, *Fire Technology*, No 5; Burke G (2021) EV Risk Assessment. Risk Impact Pty Ltd; Bisschop R, Willstrand O and Rosengren M (2020) Handling Lithium-Ion Batteries in Electric Vehicles: Preventing and Recovering from Hazardous Events, *Fire Technology*, 56, 2671–2694; Sun P, Huang X, Bisschop R and Niu H (2020) A Review of Battery Fires in Electric Vehicles, *Fire Technology*, 56, 1361–1410.

4. MSB (2023) *Fires in electric means of transport in 2022*; as cited in The Driven (2023) *Petrol and diesel cars 20 times more likely to catch fire than EVs*.



Unlocking net-zero investment

Globally, action to accelerate the shift of funds to net-zero investment categories is becoming a higher priority for regulators and governments.

In Australia, the Federal Government has committed to developing mandatory climate-related financial reporting for large businesses and financial institutions, which will operate alongside new standards being developed by the Australian Accounting Standards Board (AASB). This, along with the government's consultation on a Sustainable Finance Strategy, is welcomed by Insurance Council members. Clear and comparable disclosure of sustainability and climate-related information is one of the foundational building blocks of a well-functioning global financial system. These significant reforms will provide certainty and consistency for businesses operating in Australia and internationally, and continued close engagement with insurers is essential to ensure these reforms are manageable and do not unnecessarily increase regulatory burden on businesses. Alignment with international sustainability standards is essential. If this does not occur, there is a risk that reinsurance and international capital inflows will become harder to attain.

Common definitions of sustainable investments will also improve certainty and confidence for investors, as will a strong carbon offsets regime, as more investment moves into clean technologies and emerging industries.

Sustainability reporting is not limited to climate change, as investors and regulators increasingly look to manage nature-based risks through the Taskforce on Nature-related Financial Disclosures (TNFD). This new frontier will require close engagement with insurers as this is a complex area with significant data and methodology gaps.



The Insurance Council's advocacy

The Federal Government must:

► Continue development of an Australian sustainable finance taxonomy.

Sustainable finance taxonomies are a set of common definitions that can be used to credibly define, assess and compare sustainable investments, providing investors with confidence. The Australian Sustainable Finance Initiative is currently developing a sustainable finance taxonomy that will provide a common standard for sustainable finance with co-funding from the Australian Government, channelling more capital to support Australia's climate transition and achieve Australia's emissions targets.

► Introduce streamlined climate and sustainability disclosure with phased implementation, commencing in mid-2024 with full implementation by mid-2027.

The Australian Government has announced its commitment to introducing internationally-aligned mandatory climate-related financial reporting for large businesses and financial institutions, alongside disclosure standards being developed by the AASB. The Insurance Council welcomes the development of these standards, and their implementation should continue to occur in close consultation with insurers and the broader financial services sector.

► Work closely with insurers to support nature-related risks and opportunities to the insurance sector.

Insurers have an important role in identifying and managing nature-related risks and opportunities as insurers' underwriting, investments and claims supply chain are all linked with nature. The Insurance Council and its members have engaged with the Taskforce for Nature-related Financial Disclosures (TNFD) on the design of the TNFD framework and are preparing for the role of the insurance industry in enabling a nature-positive future. However, this is a complex area with significant data and methodology gaps which prevent the accurate measurement and reporting of nature-related financial disclosures. The Australian Government can closely engage with the insurance industry to address these gaps.

► Restore confidence and integrity to Australia's carbon offsets regime.

The Federal Government has accepted in principle all 16 recommendations from the Independent Review of Australian Carbon Credit Units. These recommendations should be implemented in close consultation with experts to ensure that it is informed by the best available science and to ensure that purchased offsets are real and additional.



Building Australia's resilience

Climate change mitigation and adaptation go hand-in-hand. The Insurance Council has been a long-standing advocate for strengthening Australia's resilience to extreme weather events, whether that's strengthening building codes so housing can withstand these events, better land-use planning to stop housing being built in disaster-prone areas, or greater government funding for infrastructure that will better protect communities from the impact of extreme weather events.

To read the Insurance Council's resilience advocacy asks, read [Building Australia's Resilience: Policy recommendations for federal and state governments.](#)







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The Insurance Council of Australia is the representative body for the general insurance industry of Australia. Our members represent approximately 89 per cent of total premium income written by private sector general insurers, spanning both insurers and reinsurers.

General insurance has a critical role in the economy, insulating individuals and businesses from the financial impact of loss or damage to their insured assets.

Our work with our members, consumer groups and all levels of government serves to support consumers and communities when they need it most.

We believe an insurable Australia is a resilient Australia – and it's our purpose to be the voice for a resilient Australia.

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