

11 July 2025

## NSW Net Zero Commission 2025 Consultation

To whom it may concern,

### NSW Net Zero Commission 2025 Consultation

The Insurance Council of Australia (ICA) welcomes the opportunity to provide input to the New South Wales (NSW) Net Zero Commission's 2025 Consultation Paper and welcomes the government's efforts to achieve its net zero by 2050 target.

The ICA is the peak body of the general insurance industry in Australia, with our members representing around 90 percent of private sector general insurers. Australia's general insurance sector provides protection for 41 million homes, vehicles, buildings, and assets, and plays a vital role in maintaining economic stability and community resilience.

Insurers operate in a global market, sourcing capital and reinsurance outside of Australia. Reinsurers, investors, financial disclosure standards, regulators, and customers are increasingly expecting insurers to play a role in the transition to net-zero, to improve transparency around insurance-associated emissions and demonstrate that insurers understand and are managing climate risk.

To ensure Australians continue to have access to affordable insurance protection, Australia must increase investment in the resilience of the built and natural environments, and in parallel, address the underlying causes of more severe weather events by reducing greenhouse gas (GHG) emissions. The insurance industry has a key role to play as the industry shares a deep understanding of risk to help improve Australia's resilience to a changing climate and extend the frontiers of insurability. At the same time, insurers are committed to reducing their own GHG emissions to net zero. This will require insurers to reduce operational emissions, the emissions associated with underwriting activities, claims supply chain, and investment decisions.

The ICA looks forward to continuing its long-standing engagement with governments, including the NSW government, regulators, and other key stakeholders to promote a policy and regulatory environment that aligns with best practice, supports climate change adaptation and mitigation, and helps each of its members to set and pursue their net-zero targets with confidence. In addition, the ICA looks forward to working with the wider financial and business community, and civil society to strengthen the sharing of best practice and support the net zero transition of the Australian and broader global economy. We have responded to selected questions from the Consultation paper, underpinned by current ICA policy position and industry insights below.

### **Question 1: What can you tell us about your experience of the impacts of climate change and how can the commission seek to reflect and respond to this in its work?**

The general insurance industry provides financial protection from the impact of disaster, loss and damage while also enabling growth and prosperity, giving Australians the confidence to build their futures. Insurance supports every Australian, regardless of their age, the size of their home, whether they are employed or run their own business, the view from their backyard, or how they commute.

Growing risks and cost pressures are impacting the affordability of this vital safety net. The cost drivers are clear: worsening disasters fuelled by a changing climate are pushing up insurers' costs, compounded by development in high-risk areas, the growing value of our assets, ongoing inflationary pressures, and supply chain shortages. Together, these factors are widening the insurance protection gap, leaving more Australians vulnerable and putting increased pressure on government resources. Our current cost-of-living crisis is heightening the pressure on insurance customers – whether they're families or businesses – and making the need to confront this issue even more acute.

In the past five years alone, insured costs from extreme weather have reached a record \$22.5 billion, up 67 percent from the previous five years<sup>1</sup>. Floods in particular pose a critical threat to Australians and the people of NSW. Around 1.36 million properties are at risk of flooding and half of these properties fall short of the flood resilience measures of modern planning and building standards. It is estimated that 225,000 homes and 73,000 businesses across the country face at least a two or five percent chance of flooding each year.

New South Wales bears the highest national flood risk, with 130,000 homes and 41,000 businesses significantly exposed, requiring mitigation and adaptation solutions.<sup>2</sup> As both exposure and hazard levels rise, this trend presents a significant threat to affordability and availability of insurance in high-risk areas. Whilst this submission focuses on flood, given the high risk and devastating impacts of recent flooding events, the bushfire threat also remains significant in the state. The 2019-2020 bushfire season was the worst NSW has recorded, claiming 26 lives, destroying over 2000 properties and 5.5 million hectares of land.<sup>3</sup>

The Commission should advise the government to take decisive action on climate adaptation to reduce the risks that are already locked into the climate system, whilst also implementing policy solutions that will drive down underlying emissions. This includes investment in large-scale resilience infrastructure, revising land use planning to avoid high-risk areas, and integrating resilience into Australia's National Construction Code and associated standards. We strongly support a national coordinated response through the establishment of a dedicated *Flood Defence Fund* – jointly funded by federal, state, and local governments – to proactively manage flood risk and improve community resilience.

While land use planning is the most effective tool to mitigate future flood risk, programs that support measures such as house raising and lifting utilities above the flood line play a vital role in mitigating flood risk to existing properties. House raising, for example, is a flood mitigation strategy that lifts at-risk homes above the highest recorded flood levels, either by moving them to higher ground on the same parcel of land or elevating them on columns, thereby significantly reducing vulnerability to future floods. We recognise the NSW Governments' Resilient Homes Program, which has delivered over \$800 million in funding to support these resilience measures in the Northern Rivers and Central West regions. By investing in resilience, the Government is taking a proactive approach to safeguarding lives, properties, and local economies from the increasing threat of extreme weather events. We recognise that these programs have been consistently oversubscribed and would like to see these important investments maintained for the future of New South Wales.

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<sup>1</sup> [ICA Fact Sheet: Australia's Insurance Industry Snapshot 2025](#)

<sup>2</sup> [ICA Federal Election Platform 2025](#)

<sup>3</sup> Australian Disaster Resilience Knowledge Hub (2025). NSW Black Summer Fires. Accessed at: [Black Summer bushfires, NSW, 2019-20](#)

Beyond peril risk, the second biggest component of the cost of insurance premiums is taxation. Commendably, the NSW Government is progressing to phase out the Emergency Services Levy from insurance, however all states and territories other than the Australian Capital Territory add stamp duty of around 10 percent to insurance premiums. Removing these taxes would encourage higher insurance take-up, reduce reliance on government disaster relief and strengthen community resilience.

**Question 6: The speed of deployment of electricity generation and infrastructure is a key risk to emissions reduction targets. What more could be done to fast-track deployment?**

The transition to renewable energy is critical to achieving net zero. General insurers are already adapting their underwriting to meet the unique risks of emerging technologies, including large-scale batteries, solar farms, wind turbines, and related infrastructure. For instance, solar panels are an increasingly common sight on rooftops across the nation. With 1 in 3 homes now having installed solar systems, driven by surging energy prices and timely government incentive schemes, important considerations need to be managed by the insurance industry associated with installation, claims relating to storm events, and the potential impacts of new combustible materials and maintenance.

The ICA acknowledges that the electricity sector will need to reduce emissions faster than others to enable an economy-wide target of net-zero to be achieved. While the shift can reduce long-term climate risks, the associated infrastructure changes can introduce short-term risks that need to be managed simultaneously.

Batteries will play a crucial role in our global energy system; they are an essential component of electric vehicles to decarbonise the transport sector and enable the grid to absorb the variability of renewable energy generation providing access to electricity at times of peak demand. As the falling cost of batteries improves the competitiveness of electric vehicles and storage applications in the energy sector, it is important to distinguish between different types of batteries and their associated insurance implications when rolling out incentive schemes aimed at speeding up deployment of energy storage capacity.

Batteries for large-scale renewable energy projects, such as those used in solar farms, wind turbines and related infrastructure, are critical for enabling the electricity sector to decarbonise. The role of insurers is to provide support through underwriting, and we encourage collaboration with project developers in the early stages of design and planning to identify and mitigate associated risks before assets are operational. The ICA supports the NSW Electricity Infrastructure Roadmap and encourages further investment in storage technologies, including grid-scale batteries, community batteries, and virtual power plants.

Electric Vehicle (EV) batteries are central to decarbonising the transport sector. EV batteries do not present a higher fire risk compared to internal combustion engine vehicles. We recommend maintaining clear communication regarding EV safety, in partnership with the state emergency services, and encourage the adoption of best-practice standards for charging infrastructure installation.<sup>4</sup>

Lithium-ion batteries used in personal mobility devices (such as e-bikes and e-scooters) present a different risk profile, particularly in residential, commercial and public settings. While the widespread

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<sup>4</sup> [Charging Ahead: Electric Vehicles & Insurance](#)

adoption of e-scooters and e-bikes has revolutionised urban mobility, they come with an increased fire risk, and so their correct storage, use and recycling is critical to minimise fire risk. The ICA welcomes the work of the NSW Government to introduce new product safety standards on 1 February 2025 to stop poor quality lithium-ion batteries entering the market and new mandatory standards to ensure critical information is provided to consumers at the time of sale. To address underlying fire risk and improve understanding of the risks associated with personal mobility devices, we encourage more public education about the potential safety concerns, aligned with the ACCC recommendations.<sup>5</sup>

To support safe and accelerated deployment, we recommend the NSW Government:

- Works with insurers and risk professionals during the early stages of energy project design to ensure insurability and risk mitigation are embedded. This should include the insurability of existing, neighbouring farms and other landholders.
- Develop fire safety protocols and invest in community education programs to continue promoting public education on safe charging and storage practices.
- Establish a harmonised regulatory framework with state and territory governments for lithium-ion batteries, covering installation, storage, transport, labelling, and end-of-life management.

#### **Question 9: What are likely to prove the most effective approaches to accelerate rapid decarbonisation across freight and passenger transport?**

The transport sector is projected to become Australia's largest source of emissions by 2030, with 60 percent of the sector's emissions coming from passenger cars and light commercial vehicles. Electrification of the transport sector, including passenger and commercial vehicles, is essential to decarbonise this sector.

As the uptake of EVs accelerates, new challenges are emerging across the insurance, repair and automotive sectors. To support a smooth transition to a more sustainable transport system, more collaboration is needed between insurers, peak bodies, and state governments to chart a path to develop sustainable supply chains and promote environmentally responsible repair practices.

In May 2024, the ICA published a paper outlining key policies and standards that will need to keep up with the pace of change in the market and what insurers may consider when underwriting EVs.<sup>6</sup>

To accelerate decarbonisation across freight and passenger transport, the NSW Government should:

- Develop public education campaigns to improve EV awareness and consumer confidence.
- Reform legislation that restricts the repair and re-registration of written-off vehicles, enabling safe reuse and strengthening the circular economy.

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<sup>5</sup> [ACCC \(October 2023\) Lithium-ion batteries and consumer product safety](#)

<sup>6</sup> [Charging Ahead: Electric Vehicles & Insurance](#)

- Invest in the development of an EV repair workforce, addressing critical shortages in motor trades that risk delaying repairs and increasing premiums.<sup>7</sup>
- Promote innovation in EV battery recycling and end-of-life management through public-private research and industry collaboration (e.g. material recycling and sustainable manufacturing).

**Question 11: Given the uncertainties in land-sector net emissions, how should NSW incorporate this sector into the state's climate policy and emissions profile?**

Nature-based solutions must be an essential component of NSW's net zero strategy. Healthy ecosystems can help mitigate climate risks, capture and store emissions, and provide natural flood and bushfire protection. As climate change continues to erode biodiversity and ecosystem function, the insurability of communities and infrastructure is also threatened.

Analysis released by the ICA, *Advancing Resilient Nature Positive Insurance*, takes a deep-dive into the connections between insurance and the environment, and explores the growing financial impact of environmental degradation. In the five years since the 2019–20 Black Summer bushfires, insurers have paid out almost \$20 billion in natural disaster claims from 14 declared catastrophes and seven significant events.<sup>8</sup> Activity that safeguards nature and nature reliant assets are emerging as effective strategies for insurers to protect insured assets and build resilience to climate change impacts.

As a result, the ICA encourages the NSW Government to consider:

- Develop a land restoration and resilience framework to invest in natural capital.
- Incorporate ecosystem services and nature-based solutions into risk reduction strategies.
- Foster collaboration with insurers to pilot nature-based disaster mitigation solutions that improve outcomes for both communities and biodiversity.

**Question 15: What short to medium term measures could be prioritised to address the systemic challenges regarding waste generation and resource recovery?**

A circular economy is critical to reducing emissions and environmental impacts. Reforming NSW written-off vehicle legislation would enable insurers and repairers to responsibly repair vehicles currently sent to scrap due to regulatory barriers, supporting resource recovery, reducing costs for consumers, and improving supply in the second-hand market.

The ICA recommends supporting:

- Research into sustainable material recovery and reuse in auto and building sectors.
- Investment in infrastructure to manage battery and electronic waste safely and efficiently.

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<sup>7</sup> [NRMA Insurance research](#) shows that 62 percent of EV owners are concerned about the lack of qualified EV repairers, while 68 percent highlight environmental issues linked to battery disposal. Additionally, a lack of trust in second-hand components was highlighted, with only 31 percent willing to use a recycled battery.

<sup>8</sup> [Advancing Resilient Nature Positive Insurance in Australia](#)

**Question 23: The adaptation objective is for NSW to be more resilient to a changing climate. The Act allows for regulations to further define the adaptation objective. What does a more resilient NSW look like to you?**

As extreme weather events become more frequent and severe, adapting Australia's built environment is essential to protect homes, businesses, and communities. A resilient NSW is one where communities, infrastructure, and natural systems can anticipate, absorb, and recover from the impacts of climate change.

Key components of a more resilient NSW include:

- Risk-informed land use planning that prevents new development in high-risk areas. The threshold of acceptable risk needs to be reconsidered, coupled with a change in approach to what we build and where we build it. This is particularly important as pressure to build new homes in higher risk areas may increase with population growth.
- Embedding resilience into building practices, by enshrining resilience in the National Construction Code. Updating building codes and standards can help homes and businesses withstand extreme weather events and incorporating adaptation objectives into design, approval, and funding processes can ensure long-term sustainability.
- Targeted retrofit programs such as house raising and utility relocation, especially for existing homes in flood-prone areas. Both the NSW and Queensland Governments' resilient home programs provide funding to support this resilience measure, and these programs have been consistently oversubscribed.
- The NSW Government should work with the Federal Government to fund and implement a national Flood Defence Fund for Australia, in partnership with local government and communities.

We trust this submission will assist the Commission in providing advice to the NSW Government. If you have any questions or comments in relation to our submission please contact Aaron Finnegan, Climate Change Adviser [afinnegan@insurancecouncil.com.au](mailto:afinnegan@insurancecouncil.com.au)

Yours sincerely,



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