

Managing the Business Risk associated with Climate Change

July 2009

Introduction to ERM

- **Environmental Resources Management (ERM) is the world's leading provider of environmental, health and safety, risk and social consulting services.**
- **ERM employ over 3500 consultants, across 145 offices in 41 countries worldwide.**
- **In Australia and New Zealand, we operate 8 offices including Perth, Melbourne, Sydney, Brisbane, Auckland and the Hunter Valley.**
- **We are committed to providing a service that is consistent, professional and of the highest quality.**
- **We deliver innovative solutions for leading business and government clients, assisting them in managing their environmental and related risks.**

ERM's Service Areas

| Contaminated Site Management | Compliance Assurance | Impact Assessment & Planning | M&A Advisory Services | Strategic Advice |
|---|---|---|---|---|
| <p>Site investigation & remediation</p> <p>Strategies for contaminated sites</p> <p>Construction management services</p> <p>Decontamination, decommissioning & demolition</p> <p>Water, Wastewater & Waste Management</p> | <p>Air quality & noise</p> <p>Water, wastewater & waste management</p> <p>Health & Safety</p> <p>Risk management</p> <p>Auditing & Verification</p> | <p>Strategic and economic assessments</p> <p>Environmental planning and environmental impact assessments</p> <p>Environmental mitigation actions</p> <p>Social impact assessment & management plans</p> | <p>Evaluation of potential liabilities</p> <p>Quantification & management of risk</p> <p>Management systems</p> <p>Compliance audit</p> <p>Environmental management information systems</p> | <p>Social & environmental performance</p> <p>Climate change, biodiversity, natural resources</p> <p>Policies for sustainable development</p> <p>Strategies to manage risks, liabilities and EHS costs</p> |

ERM's Energy and Climate Change Practice

ERM's Energy & Climate Change practice provides a full range of services to assist organization across all industry sectors in addressing the challenges and seizing the opportunities associated with climate change.

ERM has a Core Global Energy and Climate Change Team of over 20 consultants. Within Australia there is a small core team based in Perth, Melbourne and Sydney supported by 15 experienced GHG experts and the wealth of skills and knowledge of over 300 people in the wider ERM group



Managing the Business Risk associated with Climate Change

- **What is Climate Change Business Risk**
- **Categories of Climate Change Business risk**
- **What does it mean for Mid West Resources**
- **How to effectively manage Climate Change risk**

What is the business risk associated with climate change?

- **Risk = “a possibility of danger”**
- **Any climate change related issue with the potential to affect the performance of a company (positively or negatively)**
- **Both likelihood & consequence have to be assessed**
 - likelihoods of occurrence typically within the next 20 and 50 years (e.g. in 2025, 2050)
 - consequence = cost implications if the event occurs
- **Total Risk**
 - likelihood x consequence (summed for all events)

Categories of Climate Change Risk

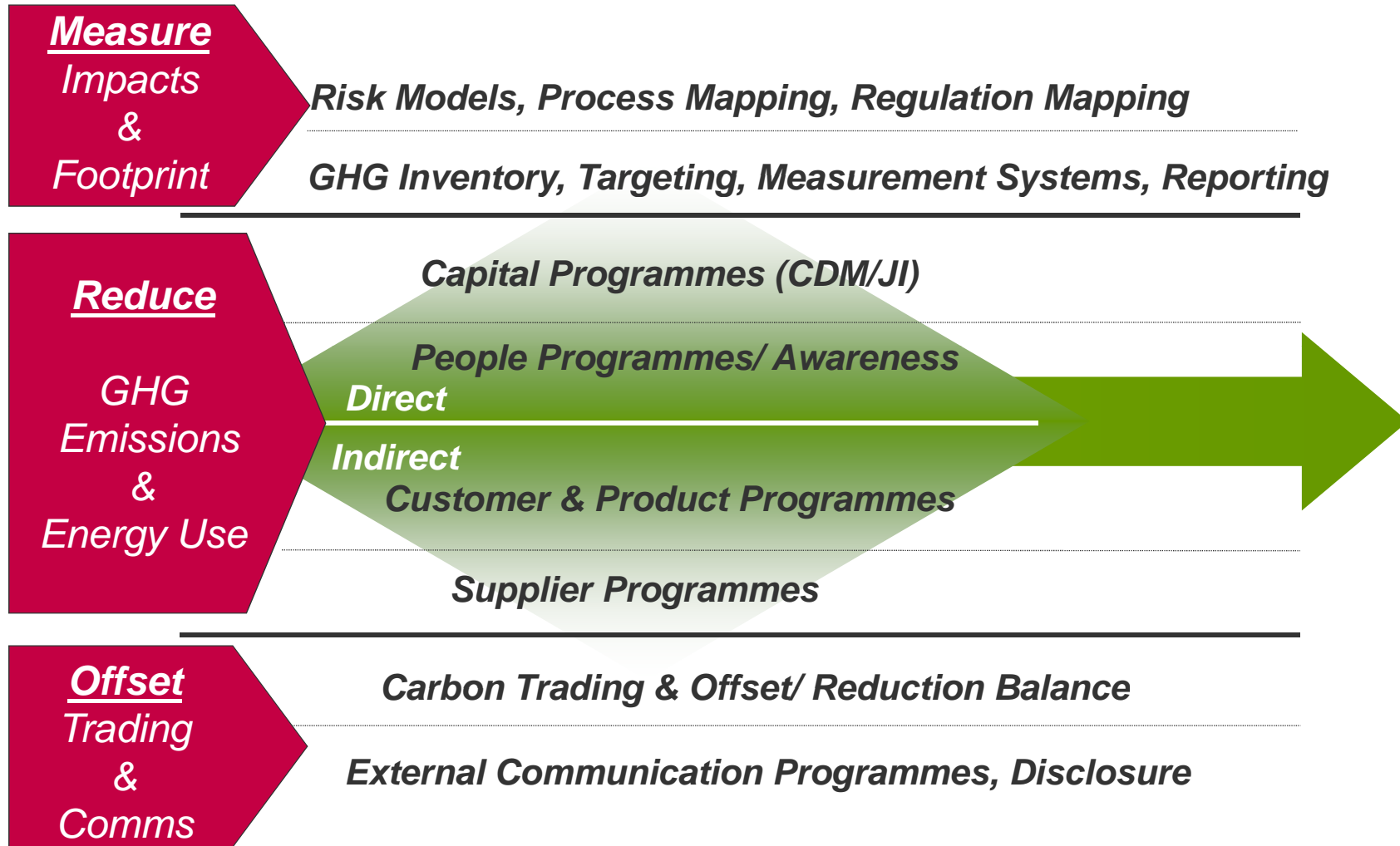
- ***Physical risks*** from changes to climatic patterns, e.g. asset damage from extreme weather events; project delays; water scarcity; and potential human and socio-political impacts.
- ***Regulatory risks*** from tightening legislation (and opportunities for companies that can make the carbon market work for them), e.g. rising costs for carbon and energy-intensive processes
- ***Market risks & opportunities*** generated by a possible decline in customer demand for carbon/energy intensive products (and opportunities from a consequent rise in demand for efficient / low carbon products)
- ***Reputational risks*** from perceived inaction on climate change (and benefits to those perceived to be ‘solutions providers’)

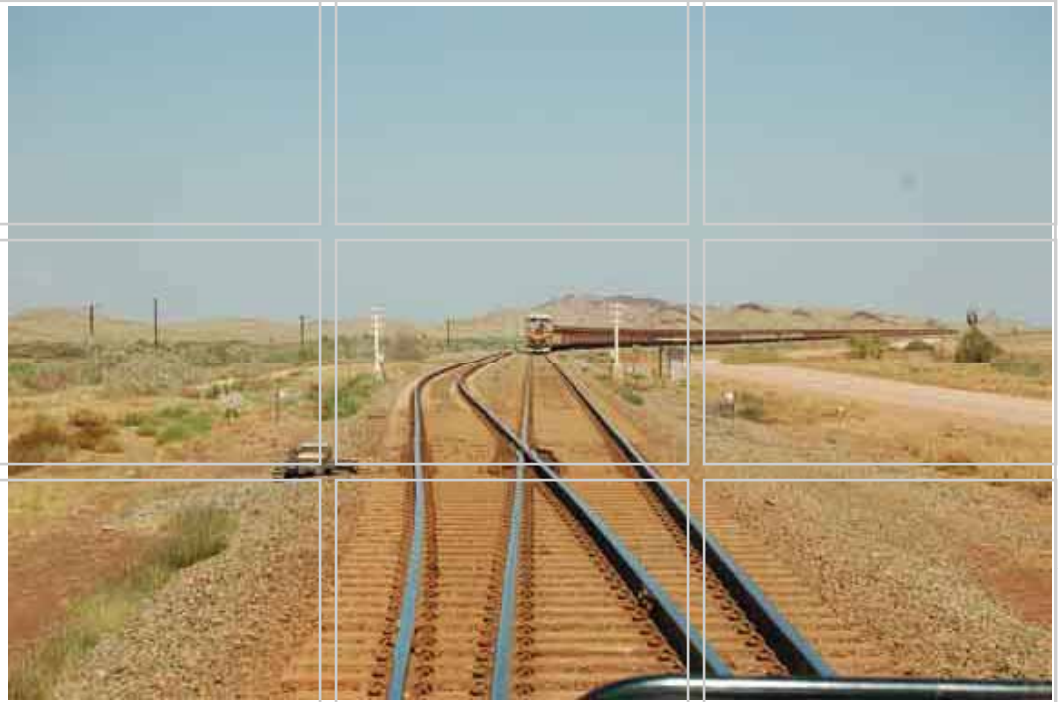
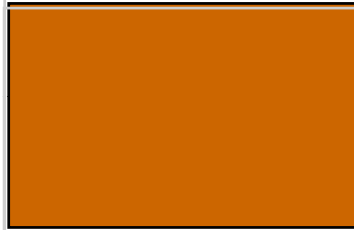
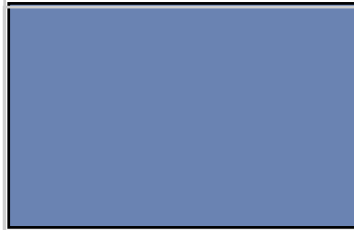
Source: Carbon Disclosure Project

What does it mean for Resources in the Mid West?

- ***Physical risks***
 - *Increased extreme weather conditions*
 - *Effectiveness and availability of infrastructure*
 - *Transportation and Port availability*
- ***Regulatory risks***
 - *CPRS and related legislation (e.g. NGER, OTN's)*
 - *Environmental Approvals*
 - *Sequestration provisions*
- ***Market risks & opportunities***
 - *Low carbon commodities*
- ***Reputational risks***
 - *Non-credible reduction and offset strategy*
 - *Heightened environmental consciousness*

Elements of a climate change strategy





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