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Navigating risk and opportunity in climate change

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Climate change has emerged as a key risk for many organisations and is rapidly becoming a priority focus of business, government and community. Effective climate change risk management not only requires organisations to consider climate change as a new risk, but to identify the interdependencies and interrelationships it causes between existing risks as well, writes Daniel Atkins.

Recent events such as the Melbourne and Adelaide heatwaves and the floods that swept through many parts of Queensland highlight the need for careful consideration and integration of climate change into risk management practices.

It would be inadequate and far too simplistic though to treat climate change solely as a new and separate risk. Although it does present as a new risk to many organisations, it is vital to also recognise its exacerbation of existing risks and how it leads to many interdependencies and interrelationships between these risks.

The many operational risks that climate change presents to organisations - and the often ignored interdependencies between these risks - highlight the need for a strategic risk management approach. It requires organisation-wide strategies geared towards minimising and managing both the treatable and residual risks associated with the impacts and implications of climate change.

By pursuing a "top down bottom up" approach, organisations can identify and categorise operational risks to inform and guide this strategic risk management approach.

Although one particular severe weather event cannot be attributed to climate change, the predictions of the Intergovernmental Panel on Climate Change suggest Australia can expect more extreme events such as those experienced in recent times. The level of risk organisations are faced with will only increase with time.

Evident in the recent Melbourne heatwave, climate change not only causes interdependencies and interrelationships between many of the existing risks that organisations face, but can also exacerbates these risks. Successive days of above average temperatures caused havoc on the city's transport systems while repeated and prolonged blackouts affecting businesses, communities and individuals.

The flow on effects and costs were vastly evident. Businesses were unable to operate due to power failures and many employees were either delayed or prevented from getting to work because of cancelled trains, buckled train tracks or malfunctioning traffic signals. Organisations and their bottom line were affected through impacts on staff productivity, increased workforce absenteeism and reduced or in some cases zero business operability, just to name a few.

Climate change has the potential to impact all areas and operations of an organisation in one way or another. An isolated risk management strategy or activity will not cut it. The strategic risk management approach must be integrated into and inform the organisation's overall strategic and business planning processes. This will not only better position the organisation to successfully mitigate and adapt to its risks, but maximise the opportunities that arise.

Done right, a strategic approach does help organisations position themselves to successfully leverage the many opportunities associated with climate change and the broader sustainability context. However, when addressing climate change risk they must first examine their entire operations in search of the answers to a few key questions:

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- What new risks does climate change create for the organisation?;
- To what extent does climate change exacerbate existing risks?;
- What interrelationships are evident between existing risks as a result of climate change? and;
- What interdependencies between existing risks could or have emerged as a result of climate change?

Once these questions have been answered and the organisation is on the road towards effective climate change risk management it is then they must consider the following:

- In an environment where exposure to climate change risks is rapidly increasing, what level of risk is the organisation capable of or willing to accept?;
- With increased public awareness of the effects of climate change what level of risk are stakeholders - the company director, investors, insurance providers, customers or the government - prepared to accept? and;
- Is the organisation capable of effectively communicating its capabilities in managing climate change risks to satisfy the growing expectations of these stakeholders?

Dan Atkins is a new contributor to the Vantage Point column. He is MD of the Shaper Group, a set of companies that works with businesses, government and not-for-profits to improve their competitive advantage and reputation by embracing sustainable business practices. Contact at DA@shapergroup.com



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