5.3 CLIMATE ADAPTATION

Case study 2: Resilient transport – a climate-related opportunity example

Important notice

This unit is part of a package of learning materials designed to support understanding of foundational concepts relating to climate-related financial disclosures. These learning materials do not constitute application or regulatory guidance for the preparation of climate-related financial disclosures and are not intended to represent legal or professional advice. We encourage you to seek your own professional advice to find out how the *Corporations Act 2021* (Corporations Act) and other relevant laws may apply to you and your circumstances, as it is your responsibility to determine your obligations and comply with them.

The company featured in this case study is entirely fictional and presented for illustrative purposes only. It is not intended to represent any real business, past or present. Any resemblance to actual entities is purely coincidental. Different entities have different climate-related risks and opportunities, and so this scenario may not be relevant for your entity.

Key topics

- Climate-related opportunities from adaptation
- Climate risk assessment

Relevance for climate-related disclosures

This unit's case study will help you understand how actions to adapt to climate change may present climate-related opportunities for your entity.

Overview

This unit explores a case study designed to illustrate some key concepts related to opportunities arising from climate adaptation measures. It is a hypothetical example, grounded in a real-world scenario, involving a regional Australian transport and logistics company. It may give you practical insights into:

- assessing climate-related risks
- identifying climate-related opportunities
- leveraging financial support for adaptation measures.

Introduction

This case study may help you reflect on how your entity can assess potential climate opportunities and how adapting to these may create new opportunities for your entity. The scenario does not describe real events or a real entity but is grounded in the context of real-world decarbonisation pathways and likely physical impacts of climate change.[1]

Sector: Transport and logistics
Entity: Mid-size logistics company
Location: Regional Australia
Climate mitigation opportunity: Adapting transport operations to extreme weather

What is the scenario?

Coastal Fresh Logistics (CFL) is an Australian company that moves and stores chilled and frozen goods. It works with farmers in rural areas and delivers to supermarket warehouses across northern NSW and southern Queensland. In recent years, more frequent heatwaves and floods have caused road closures, damaged goods, and raised insurance costs.

What is the response strategy?

To better understand and prepare for these challenges, CFL carried out a climate risk assessment to identify and manage vulnerabilities in its supply chain, operations and infrastructure. This involved identifying current and future climate-related risks, conducting scenario analysis under different climate scenarios, and deciding which risks could significantly affect the entity. The entity then developed plans to reduce these risks and built climate adaptation measures into its overall strategy.

The assessment revealed a strong likelihood and considerable impact of severe weather events, especially during the summer harvest season. In response, CFL improved its operations, implementing a climate-adaptive logistics upgrade as part of its broader strategy to manage climate risks and seize climate-related opportunities. Key improvements included: installing solar-powered backup fridges and batteries at key depots; moving storage facilities to areas less vulnerable to flooding; using better insulation; and introducing flexible delivery plans. A regional infrastructure grant helped offset some of the costs of these upgrades.

These changes have paid off. CFL is now more prepared for climate disruptions and has unlocked new business opportunities. It qualified for sustainability-linked loans (financial products and services that promote positive environmental outcomes) and developed a new revenue stream by offering secure storage to other logistics companies. Lower energy and insurance costs have boosted profits, and customers are happier thanks to fewer spoiled goods. Overall, CFL has developed a strong reputation, particularly among food retailers looking for dependable, climate-conscious supply chain partners.

What are some potential business impacts?

Financial

- Cost of undertaking climate risk assessment and investment in climate-adaptive upgrades
- Increased revenue through new storage service offering
- Lower energy costs due to uptake of renewable energy and storage
- Access to sustainability-linked finance due to the climate-adaptive upgrade

Operational

- Need to train staff to manage new delivery plans
- Initial operational disruption as storage facilities were moved
- Reduced food spoilage due to climate-adaptive upgrade
- Reduced greenhouse gas emissions with uptake of solar-backup fridges and batteries
- Greater operational reliability as facilities and planning have mitigation measures for climate disruptions

Reputational

- Higher client retention and satisfaction with less food spoilage and operational disruptions
- Positive brand reputation among clients and the broader community due to CFL's climate credentials
- Recognition as a climate-conscious supply chain partner.

[1] Since national records began in 1910, Australia has warmed by an average of 1.51˚C. Extreme heat events have also increased alongside this. Between 1960-1989 the very high monthly maximum temperatures were recorded under 2% of the time and between 2009-2023 are occurring 11% of the time. Extreme heat has resulted in more fatalities than any other natural disaster in Australia and poses significant risks to ecosystems and infrastructure. Bureau of Meteorology (2024) *State of the Climate 2024*