5.1 CLIMATE-RELATED OPPORTUNITIES

Introduction to climate-related opportunities

Important notice

This unit is part of a package of learning materials designed to support understanding of foundational concepts relating to climate-related 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 2001 (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.

Key topics

- Climate-related opportunities
- Examples of climate-related opportunities

Relevance for climate-related disclosures

Climate-related opportunities are the potential positive impacts arising from climate change for an entity.

In this unit, you will learn about climate-related opportunities that may arise from mitigating and adapting to climate change.

Overview

Efforts to mitigate and adapt to climate change can produce climate-related opportunities for an entity. Climate mitigation and adaptation are explained further in Module 2 Unit 5.

This unit introduces climate-related opportunities and shows how they may apply to your entity using practical examples.

This unit describes five examples of types of opportunities to consider: improving resource efficiency, switching to cleaner energy, products and services innovation, market access and positioning, and building resilience. Other climate-related opportunities may be relevant to an entity based on its particular facts and circumstances.

What is a climate-related opportunity?

Climate-related opportunities are the potential positive effects arising from climate change for an entity. Efforts to mitigate and adapt to climate change can produce climate-related opportunities for an entity.

Climate-related opportunities can arise at different scales – for example, at the national, regional, or entity level, and over different time horizons. At the entity level, a climate-related opportunity is an action your entity can take to reduce emissions or adapt to climate change that can produce opportunities for your

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entity (see Module 2 Unit 5 on climate mitigation and adaptation). These opportunities might vary depending on region, market and industry.[1]

Why are climate-related opportunities important?

Climate-related opportunities can arise through your entity adapting to physical and transition climate-related impacts, such as by reducing its greenhouse gas emissions. These opportunities could lead to:

- financial and economic benefits including cost savings and improved long-term financial performance
- innovation and competitive advantage by developing products and services that meet sustainability goals
- improved reputation and stakeholder trust through improved brand image and recognition
- regulatory and policy alignment through compliance with climate regulations and alignment with policy initiatives to access sustainability grants, subsidies and tax credits
- access to capital and partnerships including green finance (financial products and services that promote positive environmental outcomes), sustainability-linked loans (loans where the loan terms are tied to the sustainability performance of the borrower) and collaboration with other cross-sector stakeholders.

What climate-related opportunities exist?

The table below sets out five example categories of climate-related opportunities your entity might consider: resource efficiency, energy source transition, products and services innovation, market access and positioning, and adaptation and resilience.[1] Table 1 summarises each category, outlines practical measures, and presents an example in practice.

Table1: Climate-related opportunities, key measures, and examples[1]

Climate-related opportunity	Illustrative measures	Example
Resource efficiency - cutting costs by using energy, water and materials more efficiently	Energy efficiency upgrades (e.g. install LED lighting, smart controls, insulation, or window glazing) Improve water management (e.g. reduced water use and enhancing energy efficiency reduces energy demand and emissions) Improve waste management (e.g. composting to divert organics away from landfill and reduce emissions)	A small manufacturer upgrades equipment and lighting to reduce energy use.
Energy source transition - switching from fossil fuels to renewable or low-emissions energy will reduce emissions and can provide cost savings	Install solar panels with battery storage Purchase green power or join a community solar program Electrify machinery, transport or buildings Use biofuels where electrification is not possible	A logistics company moves some road freight to rail and upgrades its fleet to electric vehicles.
Products and services innovation - creating new offerings that reflect sustainability goals and attract new customers	Label products with lower emissions Design goods that reduce emissions or support climate adaptation Offer repair, upcycling, or refurbishment services to extend product life	A construction firm builds certified green buildings, attracting more tenants and investors.
Market access and positioning - entering new markets aligned with low-carbon goals	Partner with governments, banks or communities to access new markets Apply for grants, subsidies, or climate-linked tenders Improve climate credentials to win new customers	A retail company reduces single-use packaging to meet sustainability procurement standards, allowing the company to access new markets.

Adaptation and resilience - strengthening entity operations against climate impacts	Invest in resilient infrastructure (e.g. flood protection, heatproof design) which may result in lower insurance premiums Design products that perform better under extreme conditions (e.g. heat-resistant materials, flood-proof infrastructure). Develop climate adaptation technology solutions (e.g. water-efficient systems, cooling innovations, or early warning tools)	A supermarket sources more local products to reduce the risk of supply chain disruptions in the event of extreme weather or natural disasters.

Key takeaways

- Climate-related opportunities arise from your entity's actions to mitigate or adapt to climate change.
- A range of climate-related opportunities may deliver strategic, operational or financial benefits to your entity.

Sources

[1] Task Force on Climate-related Financial Disclosures (2017) https://www.fsb-tcfd.org/recommendations/, Recommendations of the Task Force on Climate-related Financial Disclosures or (PDF 2,457 KB)