‘Climate Change – what’s a bank got to do with it?’

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Tena koutou, and good afternoon everyone.

My name is Anthony Healy and I have the privilege of leading the Bank of New Zealand – a bank that’s been serving New Zealanders since 1861, steeped in the tradition of supporting a higher-achieving New Zealand – and for me, that’s where the bank comes into the discussion today.

Some of you may have raised an eyebrow when you saw I was listed as a speaker. What’s a bank got to do with climate change? And that’s the thing I’d like to address today. A bank does have a role to play in conversations and actions to do with climate change and to take a position on what a more sustainable future looks like for New Zealand.

When I told a few of my senior leaders I had agreed to speak here today, I also saw some eyebrows raised from them. It’s got nothing to do with banks, some said. It's politically risky. You may offend some of our customers. Surely you’ve got enough on your plate – why are you adding climate change to the list?

These people acknowledge that climate change is an issue but they couldn’t see the connection to BNZ.

So I’ll share my rationale with you – just as I did with them – why I’m here.

I lead a bank that’s deeply embedded in the fabric of New Zealand society.

We’re powered by people. 5,500 BNZers, 1.2 million customers and scores of suppliers and partners, giving us a unique connection to New Zealand. So the question of how to generate growth and prosperity for New Zealand in an economically, socially and environmentally sustainable way, really matters to us.

I believe banks are, and will remain, a key part of the fabric of society, so I’ve been thinking a lot about the role we can play in supporting a sustainable future for New Zealand by supporting business innovation, developing affordable housing solutions, facilitating investment in green-tech, funding infrastructure investment, helping address deeper social issues, like financial literacy and social inequality, and leveraging the diversity that New Zealand has as a competitive advantage.

I am passionate about tackling the issues that matter to New Zealanders. And climate change is one of those.
BNZ takes sustainability seriously. We’ve just celebrated five years of being carbon neutral, which we have done through both carbon reductions and purchasing offsets. It is a step in the right direction but I believe there is much more we can do.

The reality for BNZ, and the entire banking industry, is that every corner of our Islands will be impacted by climate change, which you’ve heard from the experts here today.

These impacts, for the banking sector, translate into very real business risks – and opportunities.

Let’s discuss the risks first. Farming forestry and fisheries will be the main industries impacted by changing weather patterns. For example, as the IPCC pointed out, owing to drought conditions, New Zealand lost about NZ$3.6 billion in direct and off-farm output between 2007 and 2009. BNZ banks for more than 22 per cent of this sector. The banking industry has exposure to agriculture to the tune of $58 billion.

Consumers will be impacted through their homes and baches thanks to rising sea levels and coastal erosion. As Dr Jan Wright said: “a rise of 30cm may not sound much, but its impact will be very costly for many landowners”.

We need to take this seriously – New Zealand banks have over $200 billion in lending for residential housing. What happens to that home lending in 20 years? Who will insure these houses and at what cost?

We have a responsibility to start considering the impact of this now rather than putting it on ice for 20 years. I would argue this isn’t a 2035 issue. Bank of England Governor, Mark Carney, agrees that the real challenge is making sure we face up to the financial impacts of climate change now, while we are able to do something about it.

The impacts are real and happening now as some of our Pacific Island neighbours will confirm. Here at home, rising sea levels – and possible coastal flood risk – are already affecting LIM reports and potential house values in Kapiti and Canterbury. This impacts our business and we have a responsibility to help our customers navigate these challenges, and to see what opportunities these challenges also present.

What I’ve learnt so far

I’m the first to say I’m not a climate change expert. Some of you will know Bonar and Jess in my sustainability team and they’ve been relentless in challenging me in preparing for today. I canvassed a range of views as I consider ‘what next’ for BNZ. So here’s what I did:

• I had a frank chat with BNZ leaders: I got a group together, with mixed views, I might add, to hear their thoughts on my speaking here today. And boy, did they grill me. We discussed how climate change might impact our Agri customers – who are often painted as the ‘big bad’ in the New Zealand environmental debate. Would we be drawing attention to this by my speaking here today? We talked about how our Maori business customers consider the issue, and what the opportunities may be for us from a carbon trading and investment perspective. It was an incredibly constructive discussion.

• I chatted to the kids: my 10-year-old, Patrick, was well versed on climate change – Caroline – aged seven – not so much – but she thought it was funny when Patrick mentioned ‘cows’ bottoms’. Patrick told me about polar ice caps melting and the impact of rising greenhouse gases in the atmosphere. He told me with all the authority of a 10-year-old that hydro is “quite big now”. I asked them both what I could do in my
role as CEO and Patrick suggested that the bank ‘goes green’ for the day, just like we do with ‘Closed for Good’. I have to say I was pretty proud of my kids and it highlighted for me the awareness of climate change issues in younger generations today, compared to when I was their ages.

- **I spoke to CEOs** who are in the middle of the debate on climate change and sustainability in their industries. People like Z Energy’s Mike Bennett and Toyota’s Alastair Davis. I took inspiration from them. They acknowledge their businesses are part of the problem but they’re part of the solution, too. Their staff and their customers are the key drivers. And this really resonated with me – especially when Mike said – “consumers are the new regulators”.

- **Finally, I spoke to our customers:** we surveyed about a thousand BNZ customers to understand their concerns, their own actions on climate change, and what they thought a bank should do about it.

*And that’s the first thing I’d like to talk to you about today.*

**Here’s what our customers told us**

Our survey made real what’s front of mind for our customers and the results are fascinating. It’s a whole presentation in itself. But here’s a few insights:

- Surprisingly, belief that climate change is real is higher than I thought. Only 18 per cent say they don’t believe it’s happening. Most cited personal experience with weather changes and scientific evidence as being reasons to believe.
- 40 per cent think there’s not enough accessible information about climate change, and what’s out there, is not easily understood. People just don’t know what to believe. Linked to that...
- Only half of our customers surveyed think the New Zealand environment and economy will be negatively affected by climate change.
- When we asked about who is responsible for tackling climate change. Most respondents pointed first to big emitting countries – like the USA and China – but said that here at home the New Zealand Government should take primary responsibility for dealing with the issue.

People understand climate change is happening – but they’re not connecting it to New Zealand and our economy or environment.

Finally, around two-thirds think that BNZ has some role to play and for me that’s encouraging, in terms of where we’re at on our sustainability journey.

**So I got to thinking …**

**What are we doing for our customers?**

To be honest, there’s room for us to do more. Seven out of 10 of our customers think businesses should be responsible for their impact on the environment. But just one in ten say banks have a role to play in providing information about climate change.

I see that as an opportunity to show them where we can be relevant and to help them understand about climate change.
We dipped our toe in the water and offered a home loan deal linked to insulation for Canterbury customers. It didn’t take off for a number of reasons. And when I consider the research results now, it gives me some insights as to why.

The research found that what people are currently doing in the name of climate change – separating waste, installing energy-saving products and insulation or reducing energy use – are the things that have the biggest impact on their wallets.

On the flipside, people aren’t considering the things that can make a big difference yet. For example, only 12 per cent of people are avoiding or reducing air travel and just 15 per cent plan to in the future. This is something Air New Zealand is keenly aware of, given its recent Sustainability Strategy announcement. I was really impressed with how it launched its new commitments in such a public way. I’m sure this got many other leaders wondering how they’re telling their stories and it did more than a little to move climate change and sustainability up the agenda for many.

Going back to what customers are and aren’t doing, our research, and that by the likes of Motu, point to the fact that ‘green’ initiatives have to benefit the bank balance to get traction. Customers tell us they want favourable interest rates for loans for environmental initiatives like solar and insulation – which we’ve tried, and the pick-up was low. So it’s clear we need to be smarter about how to bring these products to market and to people’s attention.

Victoria University’s research found that the key is to accentuate the positive, talk about the co-benefits and youth, especially, will get on board.

I am aware that we are lacking in our environmental product offerings right now. But I don’t just want to have a product for the sake of it – I want a product that people need and want and that will really bring about positive change. And I am committed to finding that right product.

Our farming customers are always top of mind for me. I mentioned before, we bank for a quarter of farmers in New Zealand and many are really struggling with this one. They’re at the coalface of the issue and they see it in weather events each day and in regulation, which has a direct impact on their bottom lines. And it’s fair to say that with changing dairy prices and El Nino looming, they might just be focused on getting through this year. But, as we are seeing more and more, there are proven links between good environmental management and business resilience.

BNZ is working to upskill our Agri bankers on climate change issues so they can be better partners to their Agri customers. We’re helping upskill our agri customers, too – we work with Doug Avery and sponsor his resilience workshops and we are supporting our customers to take direct action to improve on sustainable practices, such as riparian planting, fencing water ways and precision agriculture. And we are absolutely learning from our customers – they are showing us what best practice looks like, which is knowledge we – and they – can share throughout the industry.

Our customers are absolutely showing us how to innovate in this space, which is something I want to talk about now. The fact that...

We need creativity in our solutions and approach

Last month I met Sir Jonathon Porritt and I was struck by his insight when he said that “sustainability is the biggest driver of innovation today”.
We might be missing a trick with that other trait of our nation – creativity. Our innovative spirit could lead to some great solutions.

That’s an exciting way to view climate change, to focus on the opportunities for creativity and innovation. I get to see some amazing examples of innovation through our customers.

Seven years ago a farmer by the name of Craigie MacKenzie – a BNZ customer since the 80s – was a travelling Nuffield Farming Scholar and his daughter Jemma was studying agriculture in Colorado.

They returned home with a new interest in ‘precision agriculture’.

They developed a technology that uses electro-magnetic sensors and GPS soil sampling to map the difference between soil and nutrient variability across a site. So farmers know where and when water and fertiliser is needed, saving them money and preventing unneeded nutrients from flowing into our waterways.

The MacKenzies launched Agri Optics and they’re championing the use of this technique with New Zealand farmers today.

So how can we encourage more of this type of thinking?

BNZ sponsors KiwiNet – which – in short, translates scientific discoveries into commercial products and services. But we can do more. And we don’t have to look far to get inspiration.

My colleagues at NAB have announced a partnership with the Clean Energy Finance Corporation, where NAB customers can borrow from a fund of $120 million, at a discounted interest rate. Customers can borrow for anything related to energy efficiency and renewable energy.

Agribusinesses are a specific target for this initiative, so they can borrow for the likes of solar panels, hybrid vehicles and equipment upgrades. And the offer has been really successful – with $44 million borrowed so far for agri farming alone. This is a great example of a creative solution – an innovative partnership with government to deliver an environmental outcome and a great deal for NAB customers. And potentially it’s an idea that could be applied here in New Zealand, too.

An idea that relies on the notion of ....

**Collaboration**

Collaboration is something I am passionate about, because we can do more together than fragmenting our efforts.

As a member of the Sustainable Business Network and the Sustainable Business Council, BNZ gets to draw from, and add to, the learnings of many other like-minded New Zealand companies.

And collaboration is something we do well. We set up the BNZ Future Hub in Christchurch, where we help people to navigate the legal, insurance, tax and property elements of settling their insurance claims – a one-stop-shop where they could not only talk to us but to experts in other areas. We’ve helped almost 6,000 people – and 600 of those aren’t even our customers.
As a natural extension, I’m one of the CEOs leading Resilient New Zealand – a venture in partnership with New Zealand Red Cross, Vodafone, IAG and Beca. It will identify, champion and advocate ways to make New Zealand more resilient to natural disasters.

Obviously there is a cross over between natural disasters and climate change – as we will see more and more extreme weather events in years to come. The more prepared we are for that, the better.

I am mindful that – even in banking – we are all expending resources trying to tackle the same issues. Should competition give way to collaboration for climate change?

I believe it should. If we channel this intent – with central and local government, large and small business, and not-for-profits working together – imagine what we could achieve?

Who’s to say that industry or like-minded leaders can’t establish an Environmental Future Hub? A place for business owners to learn how to tackle the challenges of climate change. I’m up for the conversation and welcome your approaches and ideas. As a start, as current chair of the New Zealand Bankers Association, I will put climate change on the agenda for our next meeting and ensure we have a robust discussion.

Ladies and gentleman I hope that’s given you some insight into ‘what’s a bank got to do with it?’.

I am proud of what BNZ has achieved so far. Five years carbon neutral. An enthusiastic group of 200+ Green Team members who challenge us to do more.

More carbon reductions, more brave decision-making, more bold new ventures. Which fundamentally is all about BNZ playing its role in the transition to a low-carbon economy. What that transition looks like needs to be clarified, which can only be done by working with our customers. We absolutely need to be creative about how to transition – and we definitely can’t do it alone; collaboration is key. I am committed to facing into those challenges and for BNZ to play an active role in defining what the low-carbon future will look like.

And that, like BNZ, has many faces. It means we’ll be sharing our research with anyone who wants to hear it and learn from it. To investigate products that will encourage our customers to make the right choices. To inform our customers on why they need to tackle this now. And to collaborate – wherever possible – with government, and like-minded businesses and not-for-profits.

It’s something that matters to me personally and professionally. And for the latter, it’s the start of BNZ’s next sustainability phase, which I intend to make some announcements about in early 2016. I hope to be invited back to share with you on our progress.

Thank you.