MARSH

WEBVTT – Climate

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Raul Munoz: Welcome to 'Mining in 10', I'm your host Raul Munoz , Industry leader for Mining and Natural Resources at Marsh. And I'm thrilled to continue with our 5-part series exploring some of the biggest resilience challenges for mining companies today.

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Raul Munoz: We built our series around our Mining Resilience Guide, which is a practical framework to help mining leaders navigate an increasingly complex risk environment.

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Raul Munoz: Joining me today is Ed Woolcock, a director at our Global Climate Center of Excellence, specializing in climate and sustainability risk at Marsh.

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00:00:34.489 --> 00:00:42.779
Raul Munoz: Today we'll be discussing how to develop a sustainable future through climate adaptation. Welcome, Ed, and thank you for joining us.

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00:00:43.029 --> 00:00:43.859
Edmund Woolcock: Thank you.

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00:00:46.369 --> 00:00:49.219
Raul Munoz: So let's start at the top.

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00:00:49.359 --> 00:00:54.409
Raul Munoz: Why is climate risk such a defining issue for mining companies today?

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00:00:56.259 --> 00:01:01.199
Edmund Woolcock: Thanks, Raul. That's a good question. I mean, I suppose there's probably two things going on there.

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00:01:01.389 --> 00:01:08.598
Edmund Woolcock: Firstly, mining as a, as a very physical industry, an industry that, you know, with.

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00:01:08.909 --> 00:01:16.788
Edmund Woolcock: A significant physical footprint, expensive equipment, land, assets,

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00:01:17.899 --> 00:01:21.098
Edmund Woolcock: infrastructure is highly exposed to a changing climate.

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00:01:21.639 --> 00:01:30.849
Edmund Woolcock: there are, you know, risks to the infrastructure involved risks to the continued operation of mines due to

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00:01:31.269 --> 00:01:34.288
Edmund Woolcock: Key dependencies on resources like water.

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00:01:34.659 --> 00:01:38.118
Edmund Woolcock: And. At the same time.

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00:01:39.049 --> 00:01:45.478
Edmund Woolcock: Mining as a sector is hugely important to the transition towards a… a cleaner economy, and ultimately a, you know, a stable climate.

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00:01:45.769 --> 00:01:50.629
Edmund Woolcock: So there's this sort of…

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00:01:50.819 --> 00:01:57.629
Edmund Woolcock: Physical risk and transition risk dynamics taking place, that mean that, you know.

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Edmund Woolcock: the sector is increasingly important in many ways. It delivers a number of raw materials of increasing importance to things like, you know, battery technology, for example.

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00:02:07.769 --> 00:02:09.979
Edmund Woolcock: Whilst also being increasingly under threat.

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00:02:11.619 —> 00:02:27.629
Raul Munoz: So it's a real dichotomy and a real tension. You're part of the solution on something that we're trying to solve, but you're also probably one of the most exposed industries out there just being so close and essentially part of the environment.

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00:02:28.749 —> 00:02:29.648
Edmund Woolcock: Yes, that's right.

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00:02:30.539 —> 00:02:31.869
Edmund Woolcock: I think there's probably…

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00:02:32.089 —> 00:02:41.599
Edmund Woolcock: four elements to this, if you break down the, sort of, the risk exposure in a bit more detail. So, starting again with the physical risk elements.

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00:02:41.829 —> 00:02:53.339
Edmund Woolcock: within that, there's, I guess, the sort of first-order effect, which is the risk that particularly acute climate presents to mining sites.

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00:02:53.449 --> 00:03:04.268
Edmund Woolcock: in infrastructure. So that's, that's kind of, you know, flooding, for example, which sort of risks the structural integrity of mines, but it's also things like extreme heat.

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00:03:04.539 --> 00:03:05.218
Edmund Woolcock: I mean.

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00:03:05.379 --> 00:03:16.588
Edmund Woolcock: either disrupting the operation of mines for periods of time, or in some cases, and, you know, this is sort of particularly relevant around the Northern Arctic mines.

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00:03:17.439 --> 00:03:24.108
Edmund Woolcock: You've got things like, Changes to permafrost which

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Edmund Woolcock: impact the ability for the mine to operate, or for assets to come to and from the mine, because infrastructure's been developed around that permafrost.

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00:03:32.489 --> 00:03:46.169
Edmund Woolcock: You've then got more chronic risks, things like the water scarcity piece, that is, you know, relatively well publicized and particularly relevant to mines because of their heavy dependence on significant amounts of water.

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Edmund Woolcock: Of course, you know, drought is becoming more of a risk in certain parts of the world, so that ability to access water is under threat.

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Edmund Woolcock: Then there are things like the human risks. So, you know, mining can be a,

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Edmund Woolcock: a challenging sector from a human perspective as it is. Mines are often heavily isolated, you know, staff working on them have to be on site in sometimes challenging conditions for prolonged periods of time.

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00:04:13.209 --> 00:04:16.789
Edmund Woolcock: Adding a climate factor, you know, an extreme heat factor.

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00:04:17.109 --> 00:04:28.988
Edmund Woolcock: perhaps things like wildfire risk, flood risk, to that only exacerbates the problem. And then, lastly, moving away from physical risk, there's that transition element. So, you know.

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00:04:29.339 --> 00:04:33.659
Edmund Woolcock: tightening regulations across a lot of the world, vis-a-vis climate.

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00:04:33.959 --> 00:04:41.339
Edmund Woolcock: increasing taxation or pricing of carbon, which can be, you know, problematic and challenging for the

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00:04:41.659 --> 00:05:00.529
Edmund Woolcock: for the mining sector, the sort of social license element that's been such an important part of the mining industry for such a long time, probably, you know, greater pressures there for the industry to sort of validate its role and sort of value it has for local communities and economies.

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00:05:01.409 --> 00:05:16.058
Raul Munoz: Yeah, it's interesting to say that, we've been, obviously talking about the different aspects of resilience, in our previous episodes and social license keeps coming on and on, no matter what topic it is.

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Raul Munoz: So, It's really interesting to look at that from, from that perspective. But, so…

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Raul Munoz: The resilience guide talks about proactive resilience and it specifies five specific opportunities that you and your team work with our clients with. Could you elaborate a little bit more on that and what does that mean and how does that fit applied?

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Raul Munoz: practically to our clients.

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Edmund Woolcock: Absolutely, I mean, I think.

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00:05:47.619 --> 00:05:55.568
Edmund Woolcock: Broadly speaking, the journey that we suggest firms undertake when it comes to climate and sustainability risk is to

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Edmund Woolcock: to first understand the risk, identify and understand the risk in great detail, and then use that understanding to inform action. So… and the five steps that we recommend broadly follow that.

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00:06:08.239 --> 00:06:14.019
Edmund Woolcock: that trajectory. So we recommend that that organizations first

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00:06:14.189 --> 00:06:23.109
Edmund Woolcock: focus on understanding in detail transition and physical risk. So, two important steps there, and that's two things, like.

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00:06:23.289 --> 00:06:41.788
Edmund Woolcock: You know, the sorts of transition risk analysis recommended by the Task Force for Financial Disclosure Framework, Task Force on Climate-Related Financial Disclosure Framework, that's something that's informed regulation in Canada, the UK, Australia, a number of large mining economies.

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00:06:42.089 --> 00:06:44.919
Edmund Woolcock: Understanding exposures to, you know.

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00:06:45.329 --> 00:06:59.818
Edmund Woolcock: market changes as a result of climate, you know, consumer dynamic shifts, regulatory risks, litigation risks, etc. And there are a number of quantitative techniques that we employ to do that. We would very much recommend that firms

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00:06:59.939 --> 00:07:04.818
Edmund Woolcock: as much as they can seek to understand these risks quantitatively.

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00:07:04.929 --> 00:07:09.659
Edmund Woolcock: Similarly, you know, the physical risk side, steady…

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00:07:09.849 --> 00:07:14.029
Edmund Woolcock: Development and evolution in the quality and precision of climate.

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00:07:14.189 --> 00:07:16.538
Edmund Woolcock: Data projections, right?

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00:07:16.959 --> 00:07:20.929
Edmund Woolcock: that's… Work that we do a huge amount in the mining sector.

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Edmund Woolcock: Helping clients understand the vulnerability of their sites in a very sort of granular and specific way under a range of different scenarios, looking at a range of different climate hazards, whether that's flood, wildfire, heat, drought.

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00:07:35.719 --> 00:07:36.569
Edmund Woolcock: And…

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00:07:37.279 --> 00:07:44.128
Edmund Woolcock: I think probably the third step is doing both of those things, but applying them to the supply chain.

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00:07:44.299 --> 00:07:49.909
Edmund Woolcock: So, you know, starting, of course, with your own operations, but moving beyond that.

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00:07:50.119 --> 00:07:58.219
Edmund Woolcock: towards that view of upstream, and to some extent, downstream distribution chain, too. You know, there are critical dependencies there, so

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00:07:58.519 --> 00:08:06.578
Edmund Woolcock: Understanding how, you know, for example, physical risks, how could those impact your ability to

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00:08:06.879 --> 00:08:12.369
Edmund Woolcock: Receive the kind of key supply chain inputs that you depend on as a site or as a business.

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00:08:13.319 --> 00:08:15.438
Edmund Woolcock: And then moving into action.

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00:08:15.659 --> 00:08:19.078
Edmund Woolcock: We'd recommend, you know, net zero.

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00:08:19.389 --> 00:08:24.559
Edmund Woolcock: Strategy is the key, the key action to mitigate transition risk.

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00:08:24.709 --> 00:08:27.238
Edmund Woolcock: And similarly, you know.

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00:08:27.509 --> 00:08:35.048
Edmund Woolcock: Employee training and education to ensure that those on site are familiar with the risks.

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00:08:35.079 --> 00:08:48.819
Edmund Woolcock: familiar with how, you know, changing physical climate exposure will impact operations on site and the risk to life, and, you know, aware of what they need to do to manage that.

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00:08:49.019 --> 00:08:50.968
Edmund Woolcock: And act appropriately.

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00:08:52.059 --> 00:09:00.598
Raul Munoz: Yeah, no, that's really, really interesting. And I find it really interesting that we close with education because I think that

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00:09:00.699 --> 00:09:18.409
Raul Munoz: To me, when you look at the overall component around climate and sustainability, it starts with that. It starts with actually understanding what the problem and how to solve that. So I'm glad that it's one of the five pillars.

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00:09:18.529 --> 00:09:24.809
Raul Munoz: If you could leave the audience with one message from this episode, what would that be?

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00:09:26.219 --> 00:09:27.779
Edmund Woolcock: I think it would be to…

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00:09:28.129 --> 00:09:31.629
Edmund Woolcock: To view climate increasingly as

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00:09:31.919 --> 00:09:34.279
Edmund Woolcock: Core to,

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00:09:34.839 --> 00:09:38.978
Edmund Woolcock: a bit. The business is strategy and business model. So

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00:09:39.369 --> 00:09:44.868
Edmund Woolcock: Not just a risk, but an opportunity, not just a sort of compliance.

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00:09:44.989 --> 00:09:53.638

Edmund Woolcock: tick box, but that's something that should be, you know, increasingly factored into the business's core strategy.

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Edmund Woolcock: and way of operating. I think, you know, in the mining sector, that is as important as it is in any sector for the reasons we've highlighted. There is significant opportunity.

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Edmund Woolcock: But a need for businesses to, to, you know, in parallel to, to realising that opportunity.

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Edmund Woolcock: ensure they're resilient to the risks that climate will increasingly bring.

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Raul Munoz: Nicely put. Thank you.

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Raul Munoz: Well, thank you very much for joining us today, Ed. And to our audience, the Mining Resilience Guide is available at marsh.com. I encourage you, everyone, to download it and share it with your teams.

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00:10:30.749 --> 00:10:41.119

Raul Munoz: We'll be back next time when we look at cyber risk in the mining sector and discuss that in a lot more depth. Until then, see you soon. Thank you very much, Ed.