Investor Group on Climate Change

Media Release

14 March 2017

Risk to return: Investors call on government to unlock climate adaptation finance

Investors worth AU$1.2 trillion are calling on the Federal Government to review its approach to climate adaptation as the damage bill for the economy rises from increasing natural disasters.

In a new report - *From Risk to Return* – released today by the Investor Group on Climate Change (IGCC), investors lay out the multi-billion dollar threats and opportunities of climate adaptation, as well as recommendations to overcome barriers to action.

“A hotter world entails substantial change for our infrastructure, our economy and our communities,” said Emma Herd, CEO of the Investor Group on Climate Change.

“Climate-proofing infrastructure is a US$140-300 billion per year opportunity globally and, as the costs will be high, a large share will need to be financed by private capital.”

“Climate change is already costing business and government millions every year and it’s a simple truth that the longer we wait to adapt, the higher that cost will be. New investment must begin to flow into adaptation solutions, but the path forward is filled with barriers. This report is about catalysing progress.”

The World Economic Forum’s (WEF) Global Risk Report 2017 lists “failure of climate-change mitigation and adaptation and water crises” as the third most significant global risk identified. A recent Citi report estimated the damage to GDP globally from the negative effects of climate change in the order of US$20 trillion with 1.5°C warming.

In Australia, local government-owned public assets at risk from climate change have been valued at $212 billion, with roads identified as the key issue. While the replacement cost of coastal buildings and infrastructure is expected to reach $226 billion.

Already the Federal Government spends an estimated $560 million on post-disaster relief and recovery, compared to the $50 million a year invested in pre-disaster resilience measures: a ratio of more than 10 to 1. Even without including the effects of climate change, post-disaster recovery costs are expected to increase to $2.3 billion a year by 2050, without investment in resilience.

According to Deloitte Access Economics (2013) carefully targeted programs of resilience investment in the order of $250 million/yr could see government spending reduce by more than 50% by 2050.
In Australia, adaptation planning is underway in many instances, but there is a long way to go in determining what actions are required, and when and how they should be implemented. According to IGCC, the first step should be a national assessment of infrastructure at risk to the effects of climate change and an indicative quantification of the investment required.

“Investors need to understand the material risks to our investments, including the physical impact risks associated with climate change. Adaptation, and how to finance it, is becoming increasing important for investors and relevant asset stakeholders to consider”, said Kelly Christodoulou, Manager, Environment, Social and Governance Investments from Australian Super

Commenting on the report, Niall McCarthy, Director and Head of Business Development at Eureka-Real Assets stated “We consider adaptation as critical to building resilience in our cities and infrastructure. Adaptation is still relatively unchartered in Australia with markets seeking a greater understanding of what it means and how to create investment opportunities for investors around adaptation projects”.

About IGCC:
The Investor Group on Climate Change (IGCC) is a collaboration of Australian and New Zealand institutional investors and advisors, managing over $1 trillion in assets under management and focusing on the impact that climate change has on the financial value of investments. IGCC aims to encourage government policies and investment practices that address the risks and opportunities of climate change. www.igcc.org.au

About the report:
This report looks explicitly at how to increase investment into adaptation. Developed through a multi-stakeholder climate adaptation finance consultation process, it aims to identify real world investment barriers and recommend potential solutions, with the goal of enabling the finance sector to access adaptation investment opportunities. It also sets out a pathway ahead with specific recommendations that IGCC will be taking forward.

Comments of participants in this process are included throughout the report.

Throughout this guide, we have sought to identify practical examples of investment models currently being applied or with the potential to be adopted to meet the challenges to adaptation investment identified through this consultation process. By looking at what works today, we are better able to identify solutions for scaling up investment.

IGCC believes that there are a number of areas where further work can be undertaken to promote greater investment into adaptation.

1. IGCC would encourage all levels of government to collaborate on the development of a framework clearly setting out levels of government coordination and responsibility for adaptation in Australia.
2. Australia needs an up to date national assessment of infrastructure at risk to the effects of climate change and an indicative quantification of the investment required into adaptation.
3. All levels of government should collaborate in the establishment of an expert advisory group to work with the finance sector on promoting adaptation investment across Australia.
4. IGCC will engage with global climate finance bodies on the development of an adaptation and resilience measurement framework.
5. Investors should actively seek opportunities to blend adaptation outcomes into green or climate investment structures, where possible and appropriate.
6. Investors should seek to engage further with public climate finance bodies to identify opportunities to apply mitigation investment structures to adaptation projects.

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