



9 May 2019

Investors need to understand the true cost of carbon

The report released today by the Climate Council *Compound Costs: How Climate Change is Damaging Australia's Economy*, reveals the tip of the iceberg in the real estimated cost of climate change to the Australian economy, says the Investor Group on Climate Change.

“Climate change represents a major threat to Australia’s financial stability,” said Emma Herd, CEO of the Investor Group on Climate Change. “The physical impacts of climate change put the retirement savings, the homes and livelihoods of many Australians at risk. These are the real costs of climate change.”

“Institutional investors need to understand the economic costs of climate change, their timing, and where capital can best be placed to mitigate them. Governments should commit to build on the Climate Council’s work today so we better understand the full challenge in front of us.”

Australia is already paying the rising costs of extreme weather events with the 1 degree of warming experienced globally to date. Current global policies put the world on track for 3-4 degrees warming, and will increase these costs exponentially. The detailed new modelling in the Climate Council’s report estimates the costs to Australia’s property and infrastructure sector in particular as significant, with costs to property at \$571bn by 2030, rendering 1 in 19 of these properties effectively uninsurable.

Extreme weather events will also have impacts on Australia’s agriculture sector and food security, reducing yields and effecting Australia’s GDP. Accumulated loss of wealth due to reduced agricultural and labour productivity as a result of climate change is estimated to exceed \$19 billion by 2030, \$211 billion by 2050 and \$4 trillion by 2100.

“Institutional investors invest across the economy for the long-term and are exposed to the growing impact of climate change on the companies, industries, property and infrastructure assets they own.”

“Investors are developing tools and frameworks to assess and manage physical climate risk at both the portfolio and the asset level and more needs to be done.”

“Governments have a clear role in helping overcome the barriers to investing in and supporting more resilient communities and economies.”

“Critical first steps to building resilience to the impacts of climate change include funding for climate science, coordination and clear accountabilities among the various levels of government on adaptation, and up-to-date national assessments of infrastructure, sectors and regions at risk to the effects of climate change.”

“Ultimately adaptation to the impacts of climate change has limits and emissions causing the damage in the first place need to be reduced. To avoid the worst impacts of climate change this means delivering the objectives of the Paris Agreement and achieving net zero emissions by 2050,” said Herd.

You can find more on IGCC's [*Policies for a Resilient Net Zero Emissions Economy*](#) and the barriers and opportunities for investing in adaptation, [*From Risk to Return: Investing in Climate Change Adaptation*](#) here: igcc.org.au/publications/

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About the Investor Group on Climate Change

The Investor Group on Climate Change (IGCC) is a collaboration of Australian and New Zealand investors focused on the impact that climate change has on the financial value of investments. The IGCC represents institutional investors with total funds under management of over \$2 trillion, and others in the investment community interested in the impact of climate change. IGCC members cover over 7.5 million people with retirement savings and investments in Australia and New Zealand.

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