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Investors: Long-term climate change strategies crucial for sustainable investment returns

The development of credible, long-term climate change strategies will improve investors' ability to assess climate-related risks and opportunities, and invest in an orderly transition to a net zero emissions, climate resilient economy, the Investor Group on Climate Change (IGCC) said in a policy brief released today.

"Climate change is a systematic risk to investment returns, financial stability, communities and economies," said Emma Herd, CEO. "The Paris Agreement's long-term emissions strategies under development by the Australian[#] and New Zealand* Governments must support a managed transition to net zero emissions and build resilience to the impacts of climate change."

"As nations gather in Spain for this year's Climate Summit, investors are looking to governments to deliver on their commitments under the Paris Agreement, and develop long term plans to manage economic impacts of climate change and unlock new investment opportunities."

IGCC's policy brief, *Delivering an investable long-term emissions strategy*, provides an overview of the role and implications of long-term emissions strategies for institutional investors, such as super and pension funds.

It set out six key principles to guide the development of investable long-term strategies in Australia and New Zealand:

- Engage in extensive consultation to build consensus on long-term emissions pathways;
- Undertake analysis of multiple scenarios to avoid the false sense of certainty that can emerge from focusing on a single scenario;
- Build on existing public and private sector processes, such as the Australian Sustainable Finance Initiative and the New Zealand Sustainable Finance Forum;
- Examine risks, opportunities and synergies between different sectors, and avoid an overreliance on macroeconomic modelling;
- Ensure consistency with the objectives of the Paris Agreement to limit global warming to 1.5°C and well below 2°C, and;
- Integrate the physical risks of climate change to ensure long-term strategies are resilient to the physical effects of climate change.

"Long-term investors have a critical role in delivering a prosperous future and are increasingly changing their investment practices to align with a net zero emissions economy," Herd said.

"To strengthen investor confidence and unlock billions of dollars of private sector capital, it is vital that governments take action to support the objectives of the Paris Agreement."

"Lack of credible, durable and predictable policy frameworks means investors will either defer investment in local economies, invest in other countries where policy is more predictable, or factor in higher risk premiums on investments to hedge against policy risk."

“The Investor Group on Climate Change looks forward to engaging further on these issues with the Australian and New Zealand Governments to deliver long-term benefits for the millions of super and pension fund holders in both nations,” Herd concluded.

Notes:

The Australian Government [committed](#) to develop a long-term strategy in 2017. It has also made this commitment internationally before and after the last federal election ([here](#), [here](#) and [here](#)).

* See the New Zealand Government’s [response](#) to last year's Productivity Commission report on the nation's response to climate change.

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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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