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Policy uncertainty is blocking new investment, say investors in new report

Policy uncertainty remains a key barrier to low carbon investment, despite strong appetite for green deals, according to an investor survey released today.

Set out in a new report – Road to Return – released today by the Investor Group on Climate Change (IGCC), institutional investors have provided important new insight into how they are approaching low carbon opportunities and where they are investing.

“We found that 100% of investors surveyed by IGCC state that they intend to increase their green investment over coming years, but policy uncertainty remains a major barrier”, said Emma Herd, Chief Executive Officer of the Investor Group on Climate Change.

“80% of investors said policy or regulatory uncertainty remained a major challenge to investment. While 90% identified a lack of investable deals. The two issues are deeply related”.

“We are also seeing capital continuing to go overseas in the hunt for low carbon opportunities, with investors strongly signalling that international markets are where they are most active. This would appear to indicate that those countries that have credible and effective climate change policy are attracting investment from Australian investors”.

“Investment uncertainty has become the hallmark of the Australian energy sector. This report finds that there is strong investor appetite for low carbon deals. Resolving the policy impasse would clearly unlock significant new investment for Australia”, said Herd.

Road to Return also provides a detailed breakdown of where investors are currently active across major markets and asset classes, and further insight into how investors are defining ‘green investment’ through a range of existing methodologies and frameworks.

The report - Road to Return: Institutional investors and low carbon solutions – provides the collective views of Australian and New Zealand investors with funds representing over AU\$328 billion in assets under management surveyed in June 2017. These investors include superannuation funds, asset managers and sovereign wealth funds. Following the survey, a deeper dive was undertaken with 50 IGCC members in August 2017 to provide additional insight on the numbers. IGCC intends to repeat this survey on an annual basis to improve our understanding of the drivers and barriers for investors seeking green returns.

The full report is available at www.igcc.org.au/publications

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