

Submission to the Australian Senate Environment and Communications References Committee's Climate Risk Assessment Inquiry.

Context

About IGCC

The Investor Group on Climate Change (IGCC) is a not-for-profit network representing institutional investors across Australia and New Zealand. Our 103 members collectively manage over \$4.5 trillion in assets locally, including the retirement savings of more than 15.8 million Australians in addition to millions of New Zealanders. We are actively engaged in public policy that helps investors minimise the risks and seize opportunities of Australia's transition to a net zero, climate resilient economy.

The NCRA and NAP's Value for Investors

The information we expect to be in the National Climate Risk Assessment is of critical importance to IGCC and our members. As long-term investors, our members are deeply exposed to the physical, transitional, and systemic risks posed by climate change across all sectors of the economy.

High-quality, nationally coordinated physical climate risk assessments provide essential inputs for investment decision-making, risk management, and capital allocation. They also underpin the credibility of Australia's climate policy architecture and help ensure that markets can efficiently price risk and opportunity in the transition to a net zero, climate-resilient economy.

IGCC's Engagement on the NCRA and NAP

Accordingly, IGCC has been advocating for the development and publication of a National Climate Risk Assessment and National Adaptation Plan for more than ten years. We welcomed the establishment of Australia's National Climate Resilience and Adaptation Strategy in January 2021 and the 2023–24 Budget funding for the risk assessment that informs the National Adaptation Plan. Our longstanding position has been that the earlier investors have access to a comprehensive national climate risk assessment and adaptation plan, the sooner they will be able to integrate that information into their investment decision-making.

Current Specific Priorities¹

IGCC's specific priorities regarding the National Climate Risk Assessment and National Adaptation Plan are for the government to:

- **Release the National Climate Risk Assessment and National Adaptation Plan**, and amend the Climate Change Act with measures to ensure they are appropriately updated and funded.
 - The Act should require the National Adaptation Plan to be reviewed and updated every 5 years, with a more frequent revision of the National Climate Risk Assessment every two years

¹ IGCC 2025 "Our Agenda for The Economic Reform Roundtable"
<https://igcc.org.au/our-agenda-for-economic-reform-roundtable/>

IGCC 2025 "Unlocking Climate Capital: Priorities for the 48th Parliament"
<https://igcc.org.au/unlocking-climate-capital-priorities-for-the-48th-parliament/>

- The government should invest in sovereign scientific capability and resources, including robust, high-resolution climate and hazard datasets and five-year scientific plans.
- The Climate Change Authority is appropriately resourced to track and report on the effectiveness of the Government's progress on implementing the National Adaptation Plan.
- **Enhance the National Adaptation Plan with mechanisms to make adaptation mainstream and attract private capital, including by;**
 - Setting national resilience targets,
 - Developing adaptation plans for key sectors, mirroring the approach to sector decarbonisation plans,
 - Providing an investment roadmap that includes a clear list of priority adaptation projects, similar to Infrastructure Australia's Infrastructure Priority List.
 - Reviewing and updating the mandates of specialist investment vehicles (SIVs) to include adaptation and resilience.
 - Where gaps exist in current adaptation finance, creating dedicated investment vehicles or funds that target adaptation
 - Expanding the Australian Sustainable Finance Taxonomy to incorporate resilience criteria for eligible investments in systemic adaptation and resilience.
 - Reviewing relevant regulations, including town and land use planning, so they consider resilience over the full expected life of effected assets.

Specific Responses to the Terms of the Inquiry

- a) *the Government's secrecy and withholding of the Climate Risk Assessment (the assessment) from the Australian public since December 2024;*

Response: As noted above, IGCC has been advocating for the development and publication of a National Climate Risk Assessment and National Adaptation Plan for more than ten years. We welcomed the establishment of Australia's National Climate Resilience and Adaptation Strategy in January 2021 and the 2023–24 Budget funding for the risk assessment that informs the National Adaptation Plan. Our longstanding position has been that the earlier investors have access to a comprehensive national climate risk assessment and adaptation plan, the sooner they will be able to integrate that information into their investment decision-making.

- b) *the research, consultation and preparation of the assessment by the Department of Climate Change, Energy, the Environment and Water;*

Response: IGCC and our members have actively engaged, and been engaged with, during the Department's development of the first and second pass assessments. Our management and members have variously contributed to large workshops, provided written and verbal perspectives, and have been briefed on developments.

- c) *the expected ongoing impacts upon the Australian community that are contained within the assessment;*

Response: IGCC has some expertise in the **financial** impacts from current climate trajectories. The world's central banks, via the NGFS, project \$6.8 trillion would be wiped from our economy between now and 2050 if international emissions reductions meet current global commitments, and global warming trends continue commensurately, cutting thousands of dollars a year out of the pockets of Australians². We expect the forthcoming assessment will help refine investors' financial models and help them act to minimise the impacts.

- d) *the budgetary costs of both climate driven natural disasters and any government adaptation plans;*

Response: Even under lower emission scenarios, chronic and acute damages will increase. (We expect this will be confirmed in the NCRA.) These will have direct and indirect costs on public budgets, including via increased disaster recovery costs, greater need for social and health services, and lower taxation revenue caused by lower productivity in the private sector.

Current budgeting processes appear to be unsuited for current and future climate impacts. The Centre for Policy Development found that the federal government spends \$1.6 billion each year on disaster recovery, yet budgets for just \$215 million, creating a gap of \$6 billion across forward estimates, and has called for the federal government's expected cost of future natural disasters being included in fiscal aggregates rather than being treated as an unquantified contingent liability.³ Similar limitations may apply to other types of direct and indirect costs.

² IGCC 2024 "\$6.8 trillion GDP hit if renewable energy transition is delayed"
<https://igcc.org.au/6-8-trillion-gdp-hit-if-renewable-energy-transition-is-delayed/>

³ Centre for Policy Development, 2025 "Budgeting for Natural Disasters"
<https://cpd.org.au/wp-content/uploads/2025/04/Budgeting-for-Natural-Disasters.pdf>

The Actuaries Institute are also investigating whether these kinds of limitations also distort the business case for public investment into adaptation, in that the costs of taking of no action cannot be accurately compared to the costs and benefits of adaptation.

A key benefit of a well-designed and implemented National Adaptation Plan would be to minimise the direct and indirect costs to the public budget (and to the overall economy), including by stimulating private investment and action in adaptation⁴.

- e) *the Government's ongoing approach to transparency related to reducing emissions and adaptation to a world currently on track for 2.6 to 3.1 degrees of warming;*

Response: We expect that the forthcoming National Climate Risk Assessment will contribute to public knowledge about the risks and adaptation needs in current trajectory scenarios and higher warming scenarios.

- f) *any other related matters.*

Response: Please see the "Context" section above.

Thank you for the opportunity to respond to the inquiry. IGCC looks forward to engaging across parliament and the public service on these matters.

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⁴ IGCC 2024 "Activating Private Investment in Adaptation"
<https://igcc.org.au/wp-content/uploads/2024/10/Activating-Private-Investment-in-Adaptation.pdf>
IGCC 2024 "Submission: National Adaptation Plan Issues Paper"
https://igcc.org.au/wp-content/uploads/2024/04/IGCC_NAP_Submission_10April24.pdf