Investor Group on Climate Change

Submission to NSW Department of Planning, Housing and Infrastructure (DPHI)

Climate Change and Natural Hazards SEPP

16 March 2026

Introduction

The Investor Group on Climate Change (IGCC) welcomes the opportunity to provide feedback on the proposed changes to the Climate Change and Natural Hazards State Environmental Planning Policy (CC&NH SEPP).

IGCC is a collaboration of Australian and New Zealand institutional investors focused on the impact of climate change on investments. IGCC represents investors with total funds under management of over $4 trillion in Australia and New Zealand. IGCC's members are the custodians of the retirement savings of around 15 million Australians.

Our members own infrastructure and real estate assets across NSW that are increasingly exposed to damage and disruption from physical climate risks. As a result, they have a strong interest in ensuring that Australia's planning frameworks support long-term economic resilience, reduce systemic climate risks, and enable investment in climate-resilient assets and communities.

IGCC strongly supports the proposal to introduce an overarching climate risk clause in the CC&NH SEPP and welcomes the NSW Government's intention to integrate climate resilience into the planning system in a more consistent and systematic manner.

IGCC is broadly supportive of the Draft Climate Scenario Guidelines, which address a clear need for consistency in physical climate risk assessments. However, we do not consider one climate scenario sufficient for defensible decision-making.

Response to Explanation of Intended Effect

Do you support the proposal to introduce an overarching climate risk clause in the Climate Change and Natural Hazards (CC&NH) SEPP?

IGCC supports the proposal to introduce an overarching climate risk clause in the CC&NH SEPP. This proposal aligns with IGCC's Policy Priorities 2023-25 (Recommendation 9, page 29) and is important to investors for the following reasons.

Physical climate impacts translate directly into financial risks for investors.

The physical impacts of climate change pose significant and increasing financial risks to investors. These risks manifest through direct damage to assets, increased insurance costs or insurance withdrawal, long-term operational disruption, and devaluation of property and infrastructure.

These financial impacts are well-documented across global and Australian markets. Therefore, a planning system that requires explicit assessment of current and future climate risks is critical to support the stability and value of investment portfolios.

Not including climate change in planning increases adaptation costs.

Governments and the private sector, including institutional investors, will already be required to invest significantly to adapt existing assets to the physical impacts of climate change. Without reform, the current planning framework risks continuing to add new assets that will require costly retrofits or relocations. This adds to the adaptation cost burden on taxpayers, governments, and investors.

Increased investor confidence in asset resilience.

Investors need confidence that the projects they finance today will remain viable and resilient under future climate conditions. The proposed changes provide greater certainty that climate risks are assessed consistently, resilience considerations are integrated into early-stage project design, and developments are less likely to become stranded or impaired over time.

This aligns with emerging regulatory and fiduciary expectations for investors to understand and manage physical climate risk across their portfolios (including AASB S2).

Strengthening the resilience of the broader system protects investor returns.

The resilience of individual assets relies on the resilience of the system in which they operate. For investors, risks arise not only from damage to owned assets but from failure of shared infrastructure, disrupted supply chains, community displacement, and broader economic impacts of climate-related shocks.

Ensuring that both public and private assets are planned considering climate risk strengthens the resilience of the entire system. IGCC highlighted this issue in Activating Private Investment for Adaptation (pg. 26), which outlines how systemic resilience gaps can create financial vulnerabilities for investors even when individual assets are protected.

Response to Draft Climate Change Scenario Guidelines

IGCC is broadly supportive of the Draft Climate Scenario Guidelines developed by NSW DPHI. However, IGCC does not consider the use of a single climate scenario for planning, or other applications of scenario analysis, as sufficient for defensible decision-making. This is for several reasons as outlined below.

Uncertainty in climate pathways and hazard outcomes.

There is significant uncertainty regarding the global temperature pathway that will ultimately occur and how different levels of warming will influence chronic climate shifts and acute natural hazards.

Relying on a single scenario risks underestimating or mischaracterising future conditions. Using multiple scenarios (as required by many existing standards, including AASB S2), allows decision-makers to understand the range of plausible futures.

Understanding sensitivity to different levels of warming.

Multiple scenarios improve decision-making by revealing how sensitive risks and impacts are to the warming assumptions used.

For example, if assessments under both a moderate and high warming scenario show only small differences in impacts (financial or otherwise), this provides confidence that planning decisions based on the moderate scenario are unlikely to expose assets or communities to material unexpected risks. However, if the impacts diverge substantially between scenarios, and those under a high warming scenario exceed an organisation's or government's risk tolerance, a more precautionary approach may be warranted. In this case, adopting the higher warming scenario for planning provides a more resilient and risk appetite-appropriate basis for decision-making.

In a forthcoming guide on strengthening the resilience of infrastructure assets[1], IGCC recommends that climate scenarios are:

- ***Relevant:*** *Select SSP scenarios which focus on a moderate (SSP2-4.5) and high warming scenarios (SSP3-7.0 or SSP5-8.5).*
    - *The benefits of using a lower warming scenario (SSP1-2.6) are limited for assessing physical climate risk impacts.*
    - *Utilising both a moderate and high warming scenario is strongly recommended to explore:*
        - *How consequences and risk ratings change under different warming pathways, and*
        - *The sensitivity of assessment methods to shifts in the climate scenario.*
    - *Assessing both a moderate and high scenario does not lock-in these scenarios for full mitigation. Instead, it provides a broader evidence base to inform credible adaptation development and decision making.*
- ***Aligned:*** *The use of scenarios, projections, and hazard data should be aligned with the infrastructure asset and its key components, the risk profile of the service provided, and the Board's risk appetite.*
    - *Risk appetite considerations may influence the level of conservatism in scenario selection. This may include choosing different statistical approaches for selecting projections (e.g., best-case, consensus, worst-*

[1] IGCC (2026) Resilient Infrastructure: Physical climate risk assessments for defensible decision-making [to be released Q2 2026]

case), and deciding which scenarios are carried through to adaptation planning.

- *For example, an electricity distribution company may have a very low appetite for service disruption due to financial, reputational, and health impacts. Therefore, using both consensus and worst-case projection information, across moderate and high warming scenarios, may be appropriate. These choices can influence the magnitude of assessed consequence, risk ratings, and adaptation design.*

IGCC provided similar feedback to Federal DCCEEW in our submission to their consultation on climate scenario guidance last year.

Further information

IGCC welcomes ongoing engagement with NSW DPHI as this work progresses. Please contact us for more information.

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