Actuaries Institute.

Need to Unlock Billions for Climate Adaptation Investment

Australia is significantly underinvesting in climate adaptation and needs a coordinated national strategy to help mobilise tens of billions of dollars into measures that will protect communities and businesses, a new report published by the Actuaries Institute warns.

With natural disasters already costing the economy $38 billion a year and forecast to rise to at least $73 billion by 2060, investing now in adaptation measures such as more resilient infrastructure is crucial given the predicted rise in heatwaves, floods, bushfires and storms.

The report, *Mobilising Investment for Climate Adaptation*, finds that although many adaptation projects are underway, various structural, institutional and financial barriers are preventing investment at the scale required over coming decades.

Lead author Ramona Meyricke, actuary and a principal at Taylor Fry, said the long-term economic benefits of adaptation are often undervalued despite the damage and disruption Australia faces from intensifying weather and disaster risks.

“This increasing climate-driven cost and disruption is already a drag on economic activity and pushing up insurance costs,” she said. “But we aren’t investing anywhere near what’s needed to match the scale of the climate risks facing Australia.

“These costs can’t be avoided entirely, but they can – and need – to be reduced through investing more in adaptation actions that protect homes, property, infrastructure and other assets. The recently released National Climate Risk Assessment and the National Adaptation Plan made that clear.

Dr Meyricke said governments cannot and should not fund the required investment alone.

“Given the scale of the task and shared benefits, we need to unlock adaptation investment across all sectors - public and private. This requires the right policy settings, clear investment pathways and a consistent national approach,” she said.

The report recommends targeted policy actions in three key areas that would mobilise investment in adaptation to protect Australian lives and livelihoods – and reduce the long-term costs of climate-driven natural hazards.

It calls on governments to overhaul their cost-benefit rules so adaptation and resilience are properly valued for the long-term impact they can have. This will ensure smarter public investment in the most cost-effective projects to protect against increasing climate risks.

Co-author and Investor Group on Climate Change's Director for Climate Resilience, Fergus Pitt, said government budgeting processes are not set up to properly recognise the economic benefit of investing in adaptation measures.

“This new work shows how governments can better assess the costs and benefits of adaptation investments, getting rid of some distortions and blind spots that could prevent valuable resilience projects,” he said. “That innovation would be a crucial part of a broader, much needed strategy for stimulating coordinated public and private investment in adaptation and resilience.”

The second and third areas recommended in the report are a new National Adaptation Investment Framework and options for growing and diversifying revenue streams to fund adaptation investment. Together, these can help guide governments and the private sector to coordinate investment, support a fair allocation of costs across society, and achieve the scale of funding required.

Collectively, the recommendations would allow Australia to shift away from short-term, reactive, post-disaster spending on adaptation measures toward a multi-generation, proactive, evidence-based approach.

“Australians are not yet aware of the scale of what needs to be funded from protecting homes to upgrading critical infrastructure or the respective roles of households, business and governments. A finance strategy would provide that clarity and help unlock investment at scale,” Dr Meyricke said.

Ramona Meyricke is available for interview.

For media inquiries, please contact:

Eleanor Pearson
Sodali & Co
eleanor.pearson@sodali.com
M: +61 400 886 772 | T: +61 2 9066 4071

About the Actuaries Institute and the Profession
As the peak professional body for actuaries in Australia, the Actuaries Institute represents the profession to government, business and the community. Our members work in a wide range of fields including insurance, superannuation and retirement incomes, enterprise risk management, data analytics and AI, climate change and sustainability, and government services.

Actuaries use data for good by harnessing the evidence to navigate into the future and make a positive impact. They think deeply about the issue at hand, whether it's advising on commercial strategy, influencing policy, or designing new products. Actuaries are adept at balancing interests of stakeholders, clients and communities. They're called upon to give insight on complex problems and they'll look at the full picture. Actuaries analyse the data and model scenarios to form robust and outcome-centred advice.

www.actuaries.asn.au