



Investor  
Group on  
Climate  
Change

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# Funding for resilience

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ANU Disaster Solutions 2024

# Investor Group on Climate Change

## About us

**IGCC is the leading network of institutional investors in Australia and New Zealand.**

Together we're mitigating the risks and seizing the opportunities of the global transition to net zero.

We are a not-for-profit organisation that connects, collaborates and advocates on behalf of our members.

**104**

members

**\$35t**

members' global  
AUM

**14.8m**

members'  
beneficiaries  
across Australia &  
New Zealand



## How?

- Investor Practice
- Corporate Engagement
- Policy and Advocacy

 **IGCC SUMMIT 2024**

**MISSION 1.5°**

The Premier Climate Finance and Investment Event  
7-8 November | Sofitel, Melbourne

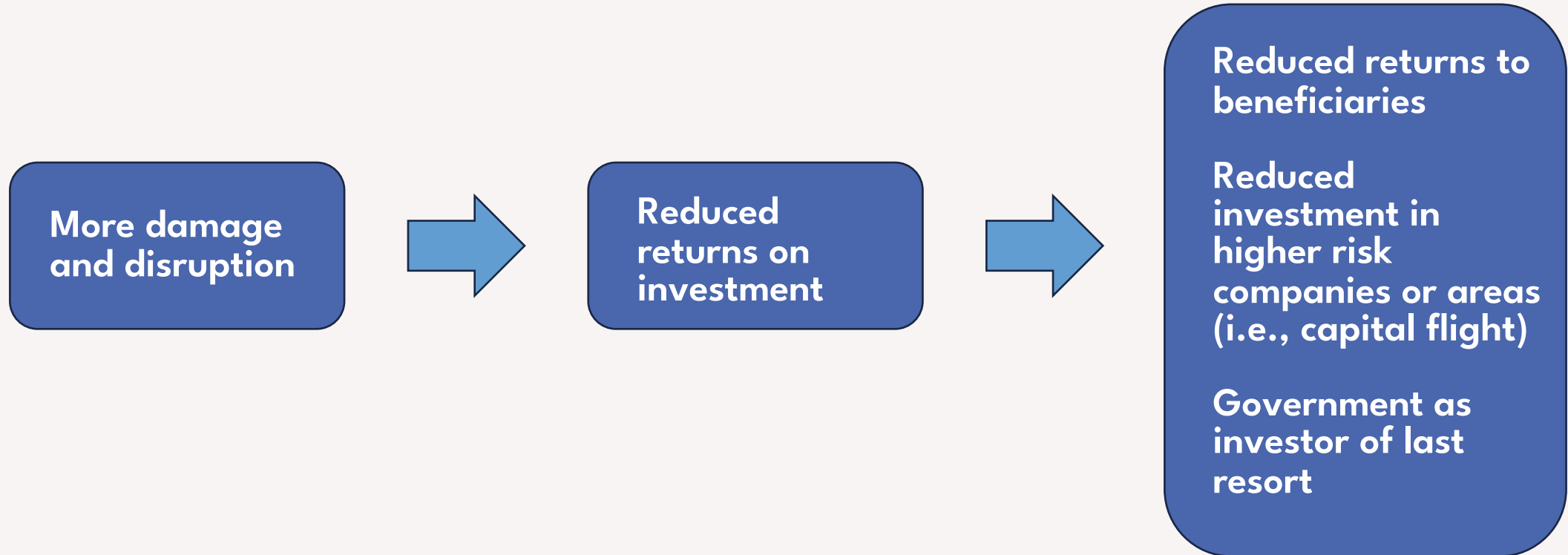
[More information](#)

# Key takeaways

## Funding for resilience

1. Adaptation is both a risk and an opportunity for investors.
2. There is significant appetite from investors to fund adaptation.
3. There are many different types of adaptation, and work is underway to identify these.
4. Different types of adaptation will require different types of funding.
5. More research is needed on the most effective ways to fund adaptation.

# Adaptation as a risk for investors





**Minsky moment: are pension assets at risk due to flawed climate analysis?**

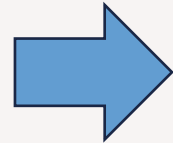
# Adaptation as a risk for investors

**Investors grapple with physical climate risks, long-term impacts**

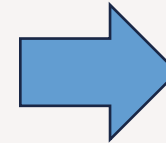
Climate change puts sovereigns at downgrade risk, study finds

**Insurers becoming too risky for UniSuper**

**More damage and disruption**



**Reduced returns on investment**



**Reduced returns to beneficiaries**

**Reduced investment in higher risk companies or areas (i.e., capital flight)**

**Government as investor of last resort**



"Lower sales volumes due to the bushfire crisis and floods resulted in a \$26 million decline in earnings, including a \$4 million in direct costs." *FY2020*



"\$45 million EBIT impact due to the combined impact of rain-days and floods on our sale volumes and additional operating and repair costs." *FY2022*

# Adaptation as an opportunity for investors

- Fund adaptation e.g., provide large amounts of capital up-front
- Spread risk (and costs) across time and space
- Competition can promote innovation and efficiency (and profit)

World's first dedicated climate resilience bond, for US\$ 700m, is issued by EBRD

**AIIB Issues First Climate Adaptation Bond Targeting Resilient Infrastructure**

**CA Senate Approves Climate Resiliency Bond For 2024 Ballot, Measure Moves On To CA Assembly**

**Planning for Brisbane Airport's new runway:** accounting for climate change

Runway height 1.5m above minimum regulatory requirements, channels to reduce tidal flooding, construction of a sea wall.

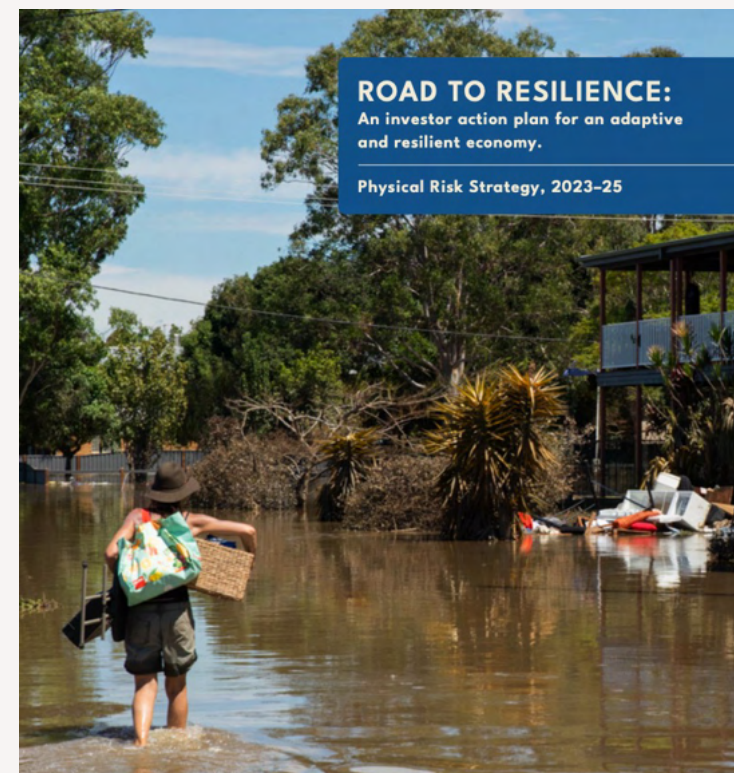
# IGCC Physical Risk Strategy: Road to Resilience

**Vision:** Investors are managing climate change’s physical risk by driving urgent, economy-wide adaptation and resilience.

## Objectives:

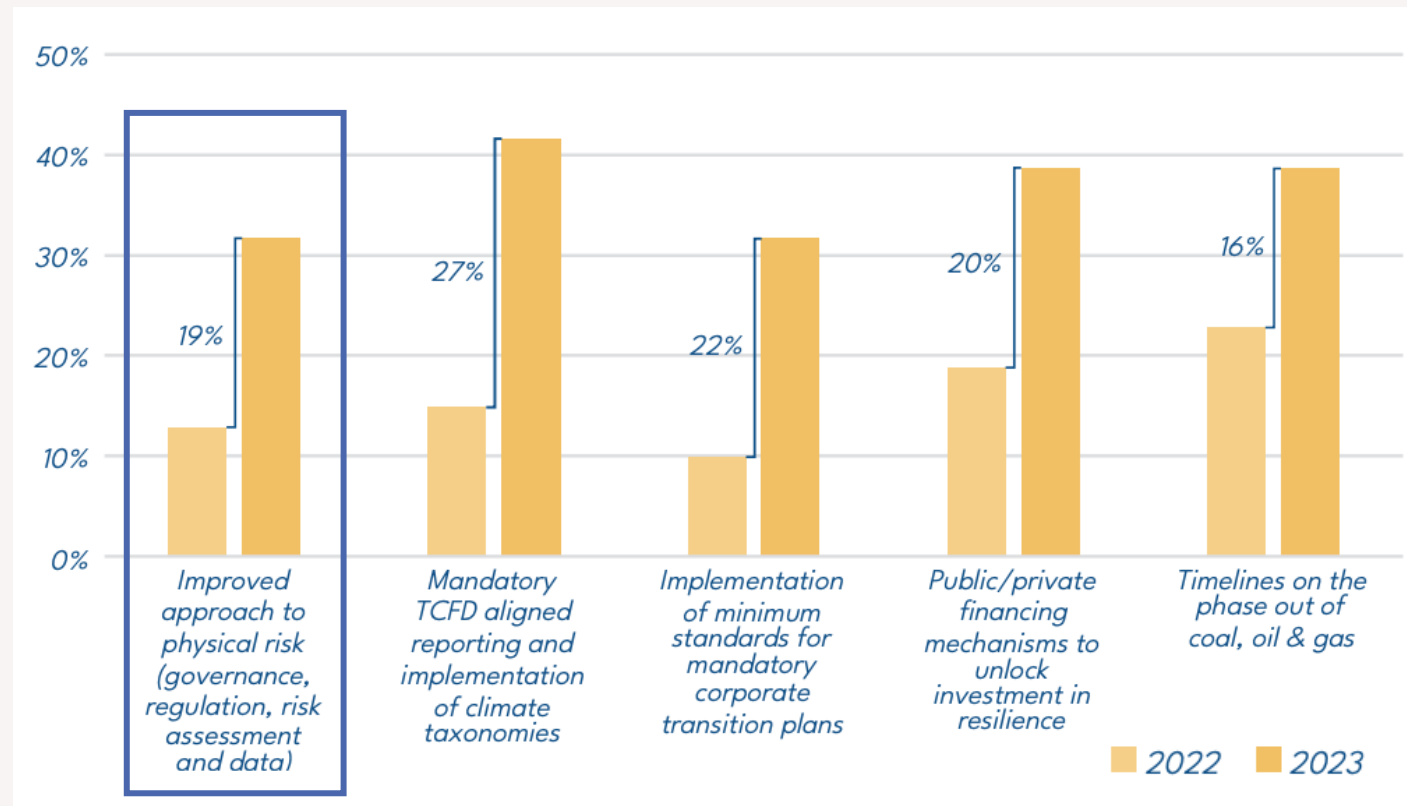
1. Integrate physical risk and resilience
2. Develop shared understanding
3. Advocate for investable policy
4. Deliver necessary private capital

**Progress:** four ongoing projects focused on listed equities, infrastructure, adaptation financing policy, and just adaptation.



[Report](#), released August 2023.

# Increasing investor engagement on physical risk





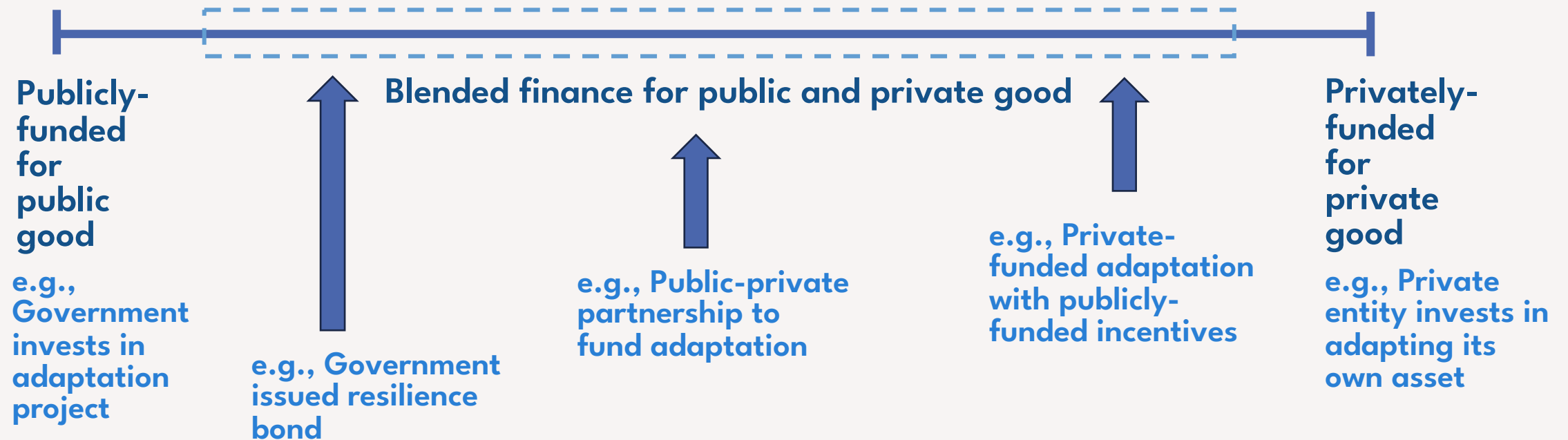
# What “counts” as adaptation

- What “counts” as adaptation and is therefore eligible for green or resilience-focused financing
- IGCC is advocating for adaptation to be included in Australian Sustainable Finance Taxonomy

Taxonomy users	Economic activities	Types of adaptation
<ul style="list-style-type: none"> <li>• Products &amp; services</li> </ul>	<ul style="list-style-type: none"> <li>→ SME develops early warning systems for flood risk</li> </ul>	<ul style="list-style-type: none"> <li>→ Adaptation by an economic activity</li> </ul>
<ul style="list-style-type: none"> <li>• Corporate</li> </ul>	<ul style="list-style-type: none"> <li>→ Water utility deploys early warning system to reduce risk of flood</li> </ul>	<ul style="list-style-type: none"> <li>→ Adaptation of an economic activity</li> </ul>
Examples of financial flows		
<ul style="list-style-type: none"> <li>→ Investors hold shares in SME developing products for adaptation</li> <li>→ Banks loan money to utility to finance the deployment of early warning system</li> <li>→ Investors holds shares in utility with more climate resilient operations</li> </ul>		

Figure 6 – Example of different types of adaptation activities and Taxonomy users

# Adaptation benefits are spread across actors



# Key takeaways

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