

# Long-term strategies and the investor perspective

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# A snapshot of the issues

# TRANSITION risk, PHYSICAL risk, FINANCIAL risk



Final Report

Recommendations of  
the Task Force  
on Climate-related  
Financial Disclosures

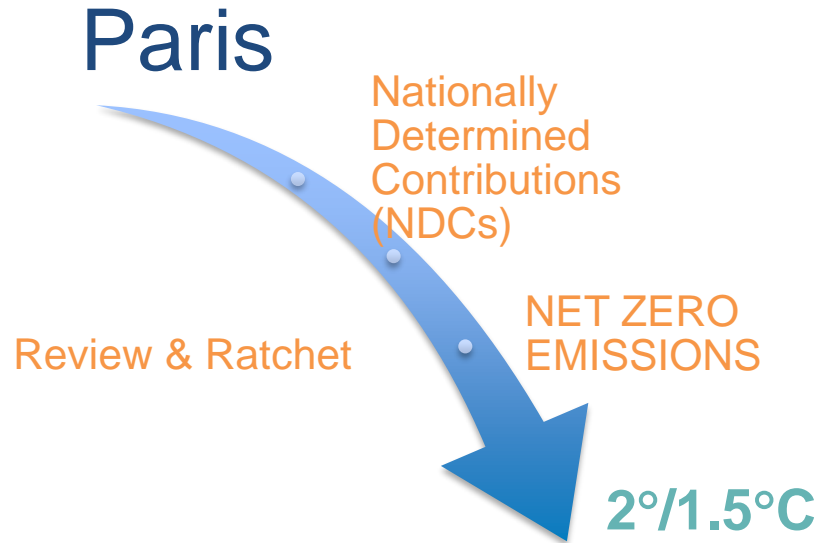
TCFD | TASK FORCE ON CLIMATE-RELATED  
FINANCIAL DISCLOSURES

June 2017



# AMBITION and the need to act

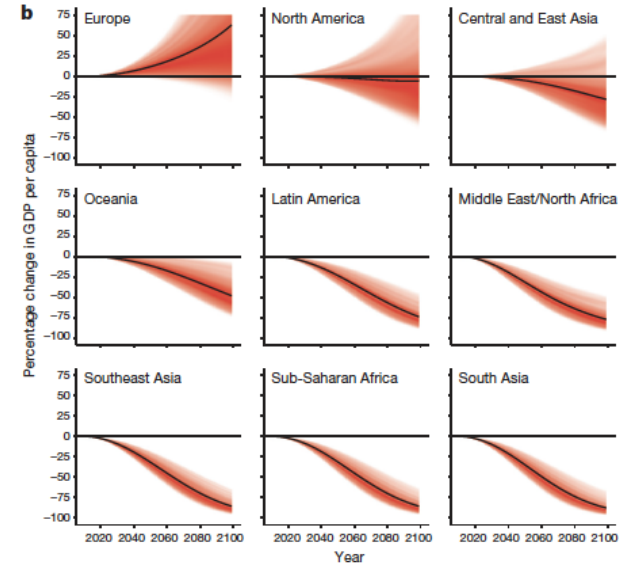
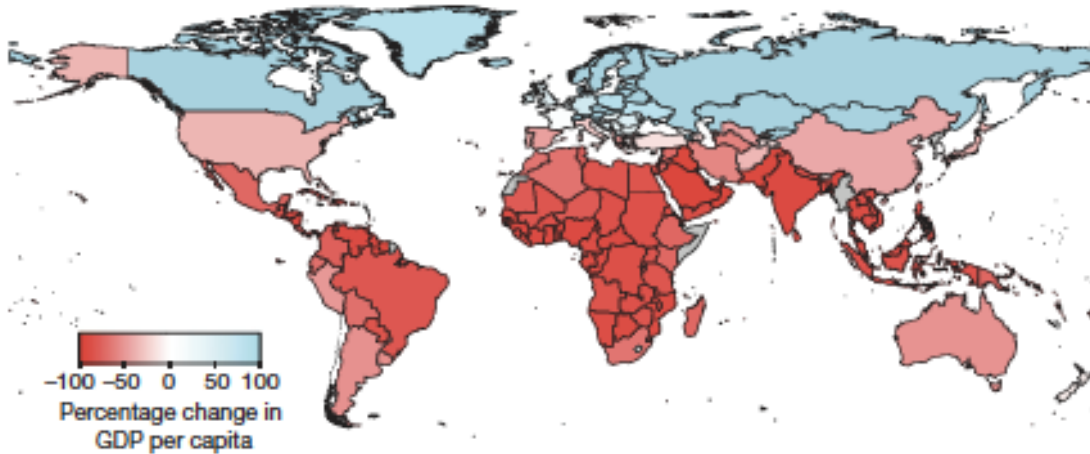
The Paris Agreement creates a pathway and a process for ongoing change.  
This is acting as an investment signal, driving competition and increasing ambition.



# Climate change is a SYSTEMIC RISK

Reserve Bank calls climate change a “first order economic risk” for the Australian economy.

*Projected effect of temperature changes on regional economies*



# Which can not be divested from ...

## Climate Change

- **Far-reaching** – will affect entire economy
- **Foreseeable** – high certainty of higher risk
- **Irreversible** - risks will have irreversible impacts
- **Path dependent** - scale of impacts determined by short-term actions



## Systemic risks

- **Physical risks** – climate and weather-related events
- **Transition risks** – adjustment towards net zero emissions economy



## Finance system

- Impact on property values and market, infrastructure
- Disruption of supply chains
- Insurability of assets, communities, individuals
- Reassessment of the value of a large range of financial assets
- Risk of stranded assets

# What investors need from a long-term strategy

# Investable long-term strategy

To strengthen investor confidence, it is vital that governments deliver credible and continued support for action to achieve a net zero emissions and climate resilient economy.

## Long-term strategy

Defines economy wide ambition to 2050

Provides greater certainty as to the rate and pace of change

Supports global action to limit warming to 1.5-well below 2°C

Builds consensus across constituencies on the direction of travel

Allows comparison with other national economic development plans

## Sectoral implications

Identifies risks and opportunities at a sectoral level

Greater clarity on sectoral pathways to achieve national ambition

Identifies the priority actions needed in each sector to support orderly and just transition

Identifies cross sectoral dependencies and infrastructure needs

Builds sectoral constituency support for an orderly transition

## Institutional investors

Management of risks and opportunities across entire portfolios

More efficient allocation of capital

Unlocked capital for major infrastructure investments

Reduced risk of stranded assets

Investment in new industries where Australia and New Zealand have competitive advantage





# Principles of strategy development

- Engage in extensive consultation to build community consensus on long-term emissions pathways
- Undertake scenario analysis to avoid the false sense of certainty that can emerge from focusing on a single scenario
- Build on existing public and private sector processes
- Examine risks, opportunities and synergies and avoid an overreliance on macroeconomic modelling
- Ensure consistency with the objectives of Paris Agreement to limiting global warming to 1.5°C and well below 2°C
- Integrate the physical risks of climate change to ensure long-term strategies are resilient to both the transition and physical risks of climate change

# Thank You!

 @IGCC\_Update

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