

## Paying the Price of Adaptation: Compensation for Climate Change Impacts

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The issue ... is far closer to many of our hearts than global sustainability or planetary survival – who to sue when the house price falls?<sup>1</sup>

### Introduction

Avoiding unmanageable climate change and managing unavoidable impacts will both carry significant costs. Major investments in clean energy and carbon sequestration technologies will be required to reduce long-term dangerous climate change. The impacts of a hotter and more volatile climate will also impose heavy costs in terms of property damage, loss of human life and business disruption. The question of who should pay the costs of climate change has so far tended to focus on funding the costs of mitigation and compensating industries that must shift to low carbon technologies.<sup>2</sup> As with other aspects of adaptation policy, the question of how the damage from climate impacts and future preventive works will be paid for has received much less attention to date, although this has begun to change.<sup>3</sup>

The insurance industry has been highlighting the potential costs of climate change impacts for over a decade, long before adaptation entered broader public discourse.<sup>4</sup> Insurers face potentially crippling financial exposure if the

1 M Allen, 'Liability for climate change', *Nature*, vol 421, 2003, pp 891-892.

2 Allen, above n 1.

3 See the extensive discussion of these issues and associated submissions in the House of Representatives Standing Committee on Climate Change, Water, Environment and the Arts inquiry into climate change and environmental impacts on coastal communities, *Managing our coastal zone in a changing climate: the time to act is now*, 2009, <[www.aph.gov.au/house/committee/ccwea/coastalzone/report.htm](http://www.aph.gov.au/house/committee/ccwea/coastalzone/report.htm)>.

4 E Mills, 'Insurance in a climate of change', *Science*, vol 309, no 5737, 2005, p 1040; T Maynard, 'Climate Change: Impacts on insurers and how they can help with adaptation and mitigation', *Geneva Papers*, vol 33, 2008, p 140; R Ward et al, 'The role of insurers in promoting adaptation to the impacts of climate change', *Geneva Papers*, vol 33, 2008, p 133; Association of British Insurers, 'Coastal Flood Risk - Thinking for tomorrow, acting today', 2006, <[www.abi.org.uk/Publications/Coastal\\_Flood\\_Risk\\_-\\_Thinking\\_for\\_Tomorrow\\_Acting\\_Today1.aspx](http://www.abi.org.uk/Publications/Coastal_Flood_Risk_-_Thinking_for_Tomorrow_Acting_Today1.aspx)>; Lloyd's of London, 'Climate

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