The cost of inaction and the opportunities lost to the climate crisis

The climate crisis is a tragedy for people and planet, but with it falling down the list of priorities for certain businesses and politicians, it may help to consider the revenue potential lost and the inevitable and growing bill of doing nothing, argues Christian Hernandez, cofounder and partner at 2150.

When certain politicians and financiers talk about the climate crisis, it is often with heels dragging and 'business as usual' in the front and centre of their minds, and viewed just as another expensive outgoing. This was certainly true at COP 28, which lacked clear direction and sufficient commitments for investment to meet the task at hand.

Net zero critics are partly right – it is going to be a huge cost to adapt to the climate crisis and mitigate further damage to ecosystems and environments. *$125T of climate investment is needed by 2050* to meet net zero, with investment from now until 2025 needing to triple compared to the last five years.

This is a tall order, but people usually forget about the alternative; and not just in the sense of the destruction that the climate crisis will cause. This less discussed alternative is the hefty cost of inaction. Costs will continue to grow, while commercial opportunities will be lost to rising sea levels, lost and displaced human capital, days too hot to work and other barriers to progress.

This world is not inevitable; the technological solutions exist to mitigate, adapt, and resist the worst elements of the climate crisis, and they present a wealth of opportunities that first movers should see as incentives.

The hidden costs

The price of destruction may be a hard thing for people to imagine – particularly those of older generations or in certain financial or political bubbles. So, we should remember the real, and immediate financial costs, as well as the inevitable ones that are growing.

The climate crisis has a very real financial price estimated at $391 million per day over the past two decades in a recent *research paper in Nature Communications*. These figures stem from damage to resources and markets, the value and availability of human capital, or the mounting costs of resilience measures, like flood defences that will inexorably become more important.

Inaction on climate means public and private organisations are just deferring payments to a later date. This is simply bad business management and poor governance. The costs are mounting, and don't relate to a far off or hard–to-grasp reality; we are already feeling the economic cost of the climate crisis.

As an example, on 12th October, the *World Meteorological Organisation warned* that the planet's water cycles are dangerously volatile, with more than half of global water catchment areas "deviating" from the norm through 2022. This was immediately recognised as a tragedy for flora and fauna, and rightfully so – but it also *threatens $58T in global value* or a potential 6% decline in GDP in some regions by 2050. This latter figure may help certain people see why we must act.

Positive action on water stewardship, on the other hand, could create $7.5T wealth annually, alongside additional benefits such as water purification, soil health improvement, carbon storage and flood control, which could reach about $50T annually.

Slipping priorities

Despite growing costs and missed opportunities, let alone the clear ethical betrayals to future and current generations, 'green activities' seem to be becoming less of a priority for businesses and world leaders. The number of large companies who say sustainability is a high priority has *fallen to its lowest level since 2020*.

Although over *half of private investors consider ESG when investing*, it is still only 53% – down from two-thirds in 2021. Furthermore, grants and investments in climate technologies have dropped 40% in 2023 according to *PwC*. However, this is less of a drop than in other industries as financiers across the board pull in their belts, and *climate tech venture capital has seen growth* in the second half of the year.

Sustainability is good capitalism

Although money is of course tighter, and the economic context less predictable due to conflicts, interest rates, and scarcer capital, we must keep up the momentum that has built over the last five years. Now, we need to double down on climate technologies and create the incentives needed to mobilise capital on a vast scale.

People sometimes forget that capitalism needs resources. Good corporate governance would mean using these very wisely, while taking advantage of the many opportunities that climate solutions provide.

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