

## **Introducing climate inequality & justice to actuaries**

*In the week that the Taskforce on Inequality and Social-related Financial Disclosures was launched, the IFoA Inequality of climate change working party introduces the concept of climate inequality and explains why this should be an important consideration for all actuaries, with both material financial and real world impacts.*

As a profession, we have become much more aware of the impacts of climate change in both our professional and personal lives in recent times. However, to date the focus has been on the direct impacts that we will see in the form of physical damages and those from policy interventions. The social impacts of the climate crisis have been less well explored, but it is a sad reality that the poorest in our society are the most impacted by climate change. Without proper consideration, this unequal distribution of impacts from climate change has the potential to widen existing inequalities and brings additional risks and injustices that we should all be mindful of.

### **Key terms to be aware of:**

Climate inequality is the unequal distribution of the impacts and consequences of climate change among different individuals, communities, and regions.

Examples of such inequalities include: :

- Intergenerational - The younger generations are likely to experience a nearly 4-times increase in extreme events compared to the older generations.
- Geographical – For example, certain regions are more vulnerable to flooding than others
- Gender based – for example, women, especially in low- and middle-income countries, face heightened climate change impacts due to their dependence on natural resources and roles in agriculture.
- Socioeconomic: for example, outdoor workers are more exposed to extreme weather, impacting their health and productivity.

Climate justice looks to address:

- What climate responsibilities do current generations have to future generations?
- Who has what responsibilities to address climate change?
- Given that there is a limited "greenhouse gas budget", how should it be distributed?

### **What does the future hold?**

Without effective management, climate inequality has the potential to exacerbate the worst consequences of income inequality. There is both a justice and self-interest basis to address this. Greater inequalities lead to increased instances of crime and reduced social cohesion, which ultimately lead to financial consequences such as reduced economic growth.

A significant impact associated specifically with climate inequality is climate displacement, i.e. the mass displacement of populations impacted by the climate crisis. This could have severe geopolitical consequences with increased tensions, disruption, and potentially conflicts.

### **What does this all mean for me?**

Members of the IFoA should be aware of their professional obligations to “appropriately consider, and communicate clearly, the impact of climate change and sustainability issues or risks within their actuarial work”. Given the real financial impacts of not addressing climate inequality, we propose that actuaries consider its consequences in their work and the role of a just transition. The paper explores some of the actions actuaries can take to understand and mitigate these risks.

### **Contributing to the solution**

In addition, given the respected professional standing of our industry, actuaries have the ability to provide significant influence. As such there is a broader public interest role for actuaries articulation the potential risks of climate injustice and the rationale for . Ensuring that our low carbon transition is a Just Transition. Our paper explores how a just transition can be achieved and the ways in which actuaries can contribute to this important development.

**Ultimately when we investigate the long-term impacts of climate inequality, the approach that we know is just and morally right turns out also to favour our own financial interests. It is therefore in all our best interests to understand this topic further and proactively manage the implications. Our paper also provides a number of links to a wide array of further reading.**

**We hope you find our paper a helpful starting point and a spur for more engagement in this critical topic.**