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2.5 TRILLION DOLLARS OF CA REAL ESTATE AT RISK

NEW UC REPORT PUTS PRICETAG ON GLOBAL WARMING DAMAGE

Berkeley CA – As collapsing domestic real estate values continue to fuel a global financial crisis, a major new report from the University of California, Berkeley (UCB) for the first time gives a comprehensive overview of the long-term economic damages that threaten California from climate change.

Taken together, real estate and insurance represent the largest economic climate risk for California, yet they are the least studied to date. The report finds that the state has $4 trillion in real estate assets, of which $2.5 trillion are at risk from extreme weather events, sea level rise, and wildfires, with a projected annual price tag of $300 million to $3.9 billion over this century, depending on how warm the world gets.

If no action is taken in the face of rising temperatures, six additional sectors, including water, energy, transportation, tourism and recreation, agriculture, and public health, would together incur tens of billions per year in direct costs, even higher indirect costs, and expose trillions of dollars of assets to collateral risk.

"Our report makes clear the most expensive thing we can do about climate change is nothing," commented UCB Adjunct Professor David Roland-Holst. "In these dire financial times, California is at a crossroads. As we learned in New Orleans, turning your back on the threat of natural disaster doesn't make it go away. We also know from history that decisive policy can turn adversity into economic renewal. WPA, the Marshall Plan, the Space Race, and even Homeland Security transformed threats into employment and growth. We can ignore change that is already happening or we can turn the threat of climate damage into a dynamic opportunity for change, renewal, and growth."

"*California Climate Risk and Response",* funded by Next 10, a nonpartisan nonprofit organization, translates climate damage science into seven economic sectors, examining the assets at risk, as well as damages that result from different global warming scenarios: l) Unavoidable impacts even if the climate is stabilized; 2) Medium to high levels of emissions growth and global warming; and 3) High emissions/warming.

The report finds that effective climate response – including mitigation to prevent the worst impacts, but in this study focusing on adaptation to unavoidable climate change -- can be executed at a fraction of the eventual cost of inaction. To be effective, however, the state must act without delay on three fronts:

l) Expand technical assessment of climate risk and policy options;

2) Strategically begin to re-deploy existing resources for infrastructure renewal and/or replacement; and

3) Provide the right private incentives to promote long term adaptation, including investments for climate security and energy independence.

Taken together, these forward-looking policies will limit the costs of climate change and extend California's legacy of growth through innovation.

"The scale of climate risk over the coming decades dwarfs today's financial crisis and will long outlive it. As the current market turmoil proves – markets may deliver profits, but not sustainability. It is up to responsible leadership to protect the public interest," commented F. Noel Perry, founder of Next 10.

Core findings on sectoral impacts include:

- There will be significant sector adjustments, of which the political obstacles may be more formidable than economic ones. The state's adaptation capacity depends upon flexibility, but divergence between public and private interests may limit this adaptability.

- The annual economic impacts of climate-induced damage in the energy sector will range from $2.7 billion in the low warming scenario to $6.3 billion in the high warming scenario. Overall, $21 billion in energy assets are at risk.
- Combined estimates show that Californians could face from $200 million to $1.4 billion in additional annual water damage costs from climate change and from $100 million to $2.5 billion in additional annual fire damage costs, depending on the level of warming. The state has over $900 billion of assets at risk because of water and $1.6 trillion in assets at risk because of fire.
- Insurance exposure for near shore property in California could approach half a trillion dollars.
- There are an estimated $5 billion in assets at risk in the water sector; damage costs for the high warming scenario are projected to reach $600 million a year. Adaptation, particularly if it is delayed, could add hundreds of millions of dollars to existing renewal and replacement costs.
- There are an estimated $500 billion of transportation sector assets at risk. Climate adaptation needs to be integrated into a broader vision and dialogue about California's transportation infrastructure: where and how it is built, retrofitted or rebuilt, and how it is financed. Less development in high-risk areas could limit damage.
- There are $98 billion in tourism and recreation assets at risk, with a projected annual price tag of $200 million to $7.5 billion in climate damage costs, depending on which warming scenario comes to pass.

- Agriculture, forestry and fisheries combined have $113 billion in assets exposed to climate damage, with an annual price tag of $300 million if climate is stabilized, to over $4.3 billion in the highest warming scenario.
- The public health sector faces from $3.8 billion to $24 billion in additional annual costs associated with climate change impacts.

"We are already seeing the impacts of rising temperatures," concluded Professor Roland-Holst. "Not only governments, but every enterprise and household needs to evaluate their economic vulnerability and begin adaptation now. As Charles Darwin said, "It is not the strongest, nor even the most intelligent that survive, but those most responsive to change."

The full report is available at: www. Next10.org or
http://www.are.berkeley.edu/~dwrh/CERES_Web/index.html

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Next 10 (www.next10.org) is an independent, nonpartisan organization that educates, engages and empowers Californians to improve the state's future. Next 10 is focused on innovation and the intersection between the economy, the environment, and quality of life issues for all Californians. Next 10 funds research from leading experts on complex state issues and creates a portfolio of nonpartisan educational materials to foster a deeper understanding of the critical issues affecting our state.