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Report: Hidden costs of climate change fueling affordability crisis in California

Analysis from the Center for Law, Energy & Environment at the University of California, Berkeley shows that disaster costs, health impacts, lost wages and more are disproportionately affecting California households, businesses and the public sector, with no sign of abatement

SAN FRANCISCO, Calif. — While costs in the immediate aftermath of climate change-fueled disasters like floods and wildfires grab the headlines, Californians may not realize the less visible ways climate change is fueling the affordability crisis driving up cost of living. A new [report](#) commissioned by nonprofit think tank Next 10 and drafted by the Center for Law, Energy & Environment (CLEE) at UC Berkeley outlines those impacts together for the first time. In just one example, this winter's Los Angeles wildfires wiped out generations of family wealth, but were also responsible for approximately \$297 million in lost wages for local employees.

The report, ***Costs of Climate Change: Financial and Economic Impacts on California and U.S. Households***, finds that while the average American born in 2024 is expected to face \$500,000 in additional costs due to climate change in their lifetime, those who experience more severe climate impacts can expect to face a toll of up to \$1 million. Those costs carry over into the everyday lives of California residents in the form of higher insurance premiums, reduced access to critical medical care, and lost economic opportunity.

“This research shows climate change is already a kitchen-table issue making life significantly more expensive for Californians and people across the U.S.,” said **F. Noel Perry, Founder of Next 10**. “This research uncovers less-publicized impacts of climate change like the rising costs of healthcare due to smoke and heat, and the loss of wages for outdoor workers. Without decisive action, these costs will continue to accelerate, hitting low-income communities hardest.”

The report gathers data from more than a hundred primary sources together for the first time, offering a holistic compilation of climate change costs across the U.S. California is particularly vulnerable to these impacts because of its lengthy coastline, extreme heat, worsening drought patterns and wildfire risk.

Californians already face a multifaceted affordability crisis: Power utility bills, for example, have skyrocketed, with wildfire-related costs accounting for up to 13% of recent increases to average residential utility bills. While lawmakers are taking notice and recently passed significant

measures to address electricity affordability, far more work is needed to address the financial impacts of climate change.

“Our research shows that climate change is already destabilizing household finances—especially for those with fewer resources to adapt,” said **Kasia Kosmala-Dahlbeck**, lead author and **Climate Research Fellow at CLEE**. “As temperatures rise, these financial burdens will only grow more intense and widespread.”

Key Findings:

- **Droughts** made longer and more intense by climate change bring high financial costs. The economic impact of the 2021 drought in California included an estimated loss of \$1.7 billion in revenue for farmers across the state and nearly 5,000 jobs in the Central Valley alone, primarily in crop production.
- By 2050, **outdoor workers** in the U.S. can expect to lose between \$39.3 billion to \$55.4 billion of future earnings thanks to an increasingly unstable climate. The cost is expected to be particularly acute for workers in the San Joaquin Valley and Sacramento.
- The cost of **healthcare** rises in tandem with the worsening of climate change: Californians exposed to wildfire smoke currently face approximately \$84.42 in healthcare costs per day of exposure, while extreme weather conditions can reduce access to health services as people shelter in place or medical facilities close for their own protection.
- Climate change fuels hotter **temperatures**, which experts estimate could kill 7,700 more people every year via heat-related illness by the end of the century. On top of this, each additional day of temperatures reaching 95°F increases electricity costs by 1.6% in California, posing a significant affordability burden on lower-income households.
- **Floods** in 2023 generated \$5 billion to \$7 billion in economic losses in California, and over \$900 billion worth of homes and other structures in California face some level of flooding risk.

“Every disaster—whether it’s a heatwave, wildfire, or flood—brings immediate destruction but also sets off a chain of often-overlooked long-term economic consequences,” said **Ken Alex**, **Director of Project Climate at CLEE**. “This report quantifies those hidden costs and shows how they ripple through the economy: increasing the price of loans, reducing access to housing, disrupting jobs, and making it harder for families to recover. Climate resilience and economic wellbeing go hand in hand.”

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