

Climate and the Economic Reform Roundtable

The upcoming roundtable appears set to ignore climate change and its impact on the economy. Climate change is already driving up the cost-of-living, and this is only likely to get worse. Climate change will substantially harm productivity, particularly if action is not taken to mitigate its extent and adapt to its impacts.

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INTRODUCTION

Australia's upcoming Economic Reform Roundtable is set to shape the Australian Government's agenda on economic reforms, yet it appears set to ignore climate change. Despite identifying "climate shocks" as something Australia must "weather and respond to" in the first sentence of the Roundtable's supporting material,¹ the word "climate" is then almost entirely absent from the agenda and remaining materials. The attendance list also lacks representation from any dedicated climate policy specialist or scientists, or climate advocacy organisations.²

This is inappropriate as even a basic scan of economic data shows how important climate change is. This briefing note focuses on inflation to make this point, but climate change has impacts on most areas of economic policy.

¹ Treasury (2025) Economic Reform Roundtable – Economic resilience, <https://treasury.gov.au/sites/default/files/2025-08/overview-economic-resilience.pdf>

² Australian Financial Review, *Who's invited to Chalmers' economic reform roundtable*, <https://www.afr.com/politics/federal/who-s-invited-to-chalmers-economic-reform-roundtable-20250718-p5mg0e>

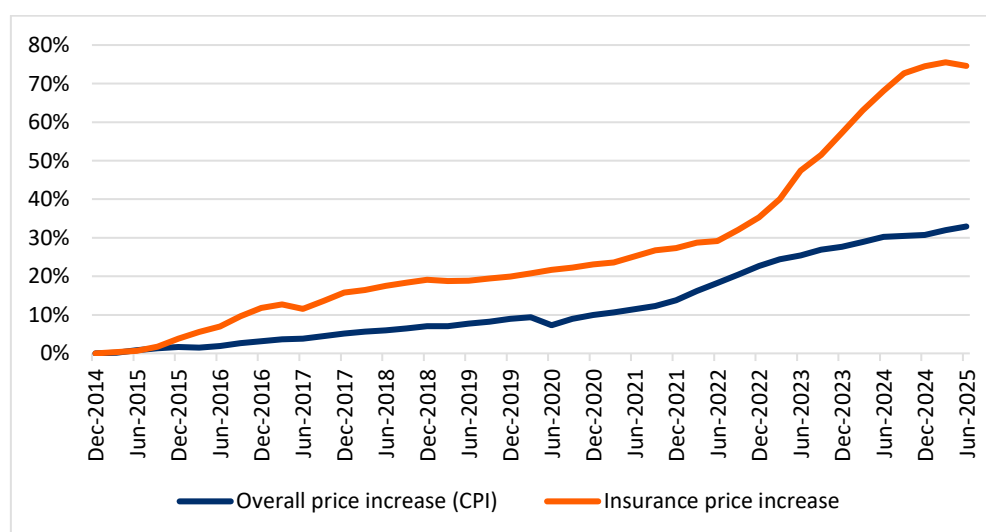
CLIMATE AND INFLATION

Inflation was identified as the main economic challenge of the Albanese Government's first term. Coming out of the pandemic, inflation outpaced wage growth consistently from June 2021 to September 2023.³ This means real wages have fallen considerably and have still not reached pre-pandemic levels. Important components of this cost-of-living crisis are a direct result of the climate crisis.

Insurance

As the climate has destabilised, the increase in natural disasters has led to an increase in payouts for insurance companies. Since 2013, every year has seen more insured losses than the total combined losses from 2000 to 2004.⁴ As payouts have risen so have premiums for homeowners. Insurance prices have surged ahead of general inflation for some time, and, among the post-2022 inflationary surge, insurance prices grew twice as much as overall prices (Figure 1).

Figure 1: Price increases since December 2014, insurance and overall prices



Source: ABS (2025) Consumer Price Index, Australia, June Quarter 2025

³ Jericho (2025) *Australia's wage growth remains solid. But now the recovery needs to be sustained*, <https://www.theguardian.com/business/grogonomics/2025/may/15/australia-wage-growth-remains-solid-but-now-the-recovery-needs-to-be-sustained>

⁴ Richardson, Long and Campbell (2024) *Premium price: The impact of climate change on insurance costs*, <https://australiainstitute.org.au/report/premium-price-the-impact-of-climate-change-on-insurance-costs/>

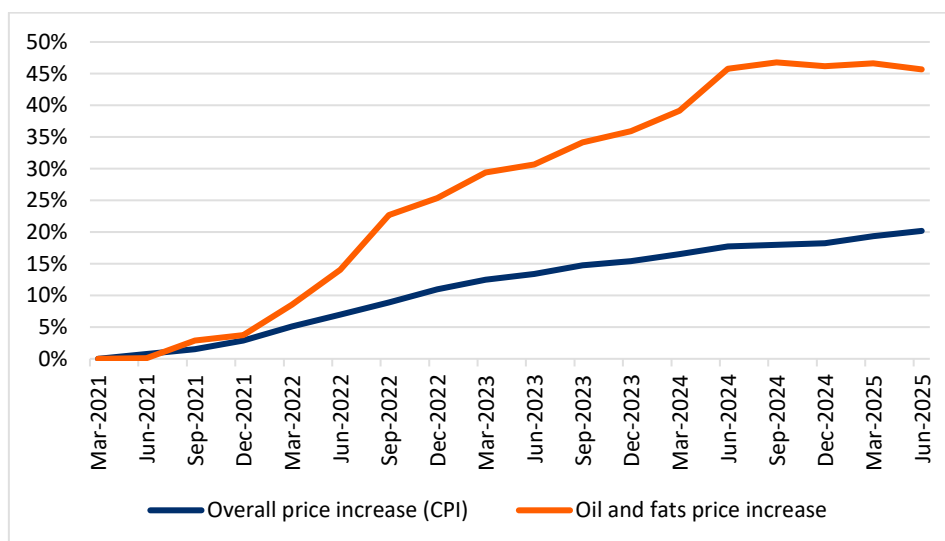
Food

Since 2021 food prices have risen over 20%, significantly contributing to overall inflation. Climate change-related disasters across the world have impacted food output and driven up the cost of food. Droughts have struck Europe, North America, and East Africa, while South Asia, North America and South America experienced heatwaves.⁵ Closer to home, Australia's 2022 floods directly affected agriculture and related industries.⁶

As an example, international olive oil prices have skyrocketed due to climate-linked droughts in Europe, particularly Spain – the world's largest olive oil producer, responsible for nearly half of all olive oil production globally. An unusually long drought led to a significant reduction in Spain's olive oil output over recent years.⁷

The problems facing Spanish olive growers also affect Australian households. Olive oil has been a primary factor behind the rise in food oil prices in Australia, measured as 'oils and fats' by the Australian Bureau of Statistics, as shown in Figure 2:

Figure 2: Increase in the price of oils and fats since March 2021



Source: ABS (2025) Consumer Price Index, Australia, June Quarter 2025

⁵ Global Network Against Food Crises and Food Security Information Network (2024) *2024 Global Report on Food Crises*, <https://www.fsinplatform.org/report/global-report-food-crises-2024/>

⁶ Australian Bureau of Statistics (2023) *Impacts of flooding in December quarter 2022*, <https://www.abs.gov.au/articles/impacts-flooding-december-quarter-2022>

⁷ Reuters (2024) *EU olive oil supply to swell as Spanish crop recovers from drought*, <https://www.reuters.com/markets/commodities/eu-olive-oil-supply-swell-spanish-crop-recovers-drought-2024-10-08/>; Perrone (2023) *Olive Oil Prices Surge as Persistent Drought Ravages Mediterranean Groves*

Collectively, food and insurance account for more than a fifth of the consumer price inflation Australia has experienced since 2022. As climate change makes disasters more frequent, more severe or both in Australia and globally, agricultural output and supply chains will be increasingly impacted, causing more rises in food prices. Concurrent disasters around the world threaten a fragile global food system. A global study found that “extreme global prices may result either from climate anomalies in single key countries or from simultaneous events in many regions”.⁸

CONCLUSION

Australia’s economic planning needs to incorporate climate policy, both in terms of climate mitigation and adaptation.

While this consideration needs to take many forms, one basic step would be to improve transparency and availability of the climate advice given to government, such as by finalising and releasing domestic and international Climate Risk Assessments.

⁸ Chatzopoulos et al (2021) *Potential impacts of concurrent and recurrent climate extremes on the global food system by 2030*. *Environmental Research Letters*, 10.1088/1748-9326/ac343b