



## Barriers to investment in climate adaptation explored in new joint report by Climate Change Advisory Council and Central Bank of Ireland

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A new joint report by the Climate Change Advisory Council and the Central Bank of Ireland has warned that the deployment of climate adaptation finance is below what is required to address the escalating risks posed by climate change. Without action, the impact of extreme weather events will test Ireland's economic and financial resilience.

While there is significant ambition to reduce emissions, focus must also be applied to addressing the impacts of climate change that are already emerging by enabling investment in climate adaptation projects at both national and local levels. Many adaptation projects, particularly at local levels, are seen as too small or too uncertain to secure funding, even though their benefits are clear and long-lasting.

Deep rooted barriers to investing in climate adaptation include a lack of locally relevant climate risk data, high upfront costs of adaptation projects, fragmented access to funding, and the absence of clear investment pathways that can attract private capital.

The report emphasises the importance of credible transition plans to build resilience in the financial sector and contribute towards a resilient economy. Actionable solutions include transition planning that incorporates adaptation, and the development of scalable, investable project models, and a register of successful adaptation projects to build momentum and share solutions.

Insurance is a key part of adaptation finance but protection gaps (where businesses, individuals and communities lack adequate or affordable insurance) pose a significant barrier to resilience. The report notes the need to address the insurance protection gap as set out in the Action Plan for insurance reform. This requires a long-term strategic approach to flood insurance with enhanced data sharing and a clear recognition of adaptation measures, as well as ensuring solutions are complemented by continued investment in measures such as flood defences to reduce risks and safeguard long-term sustainability.

Another challenge in assessing the scale of investment required is the absence comprehensive estimates of the short- and long-term costs of climate adaptation. The report proposes a National Adaptation Finance Strategy to

attract private and EU funding which should build on improved estimates of long-term investment needs.

Commenting Professor Peter Thorne, Chair of the Climate Change Advisory Council's Adaptation Committee said, "The recommendations within this report come at a critical time with the ever increasing frequency and impact of extreme weather events which are wreaking havoc across communities and the economy."

"The development of resilient infrastructure, storm resistance in coastal defences, drought-resistant crops, nature-based solutions, early warning systems and community resilience building would be transformative for our society saving lives and protecting livelihoods.

"By addressing barriers, mobilising public and private finance, and implementing innovative solutions, Ireland can build a more resilient economy and society while reducing risks to the financial system."

Vasileios Madouros, Deputy Governor of Monetary and Financial Stability for the Central Bank of Ireland, said, "Climate change poses risks to the financial system and the long-term stability of our economy. We're already seeing the impact extreme weather has on communities, businesses and infrastructure, and we recognise the importance of addressing climate-related risks, including the growing need for investment in adaptation measures.

"This joint report proposes actionable steps to build resilience in the economy by increasing the deployment of adaptation finance in Ireland. Safeguarding Ireland's financial stability in the face of a changing climate requires collaboration across public and private sectors, enabling investment at both national and local levels, and further assessing the short and long-term costs of climate adaptation."

## **ENDS**

If you have any questions or are seeking further comment, please do not hesitate to contact:

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