



UNEP **Finance Initiatives**

Working Group:

**Climate Change and the Financial Sector**

**Position Paper**

*COP7 to the UNFCCC, Marrakech, 2001*

*Erik Schmausser, Swiss Re*

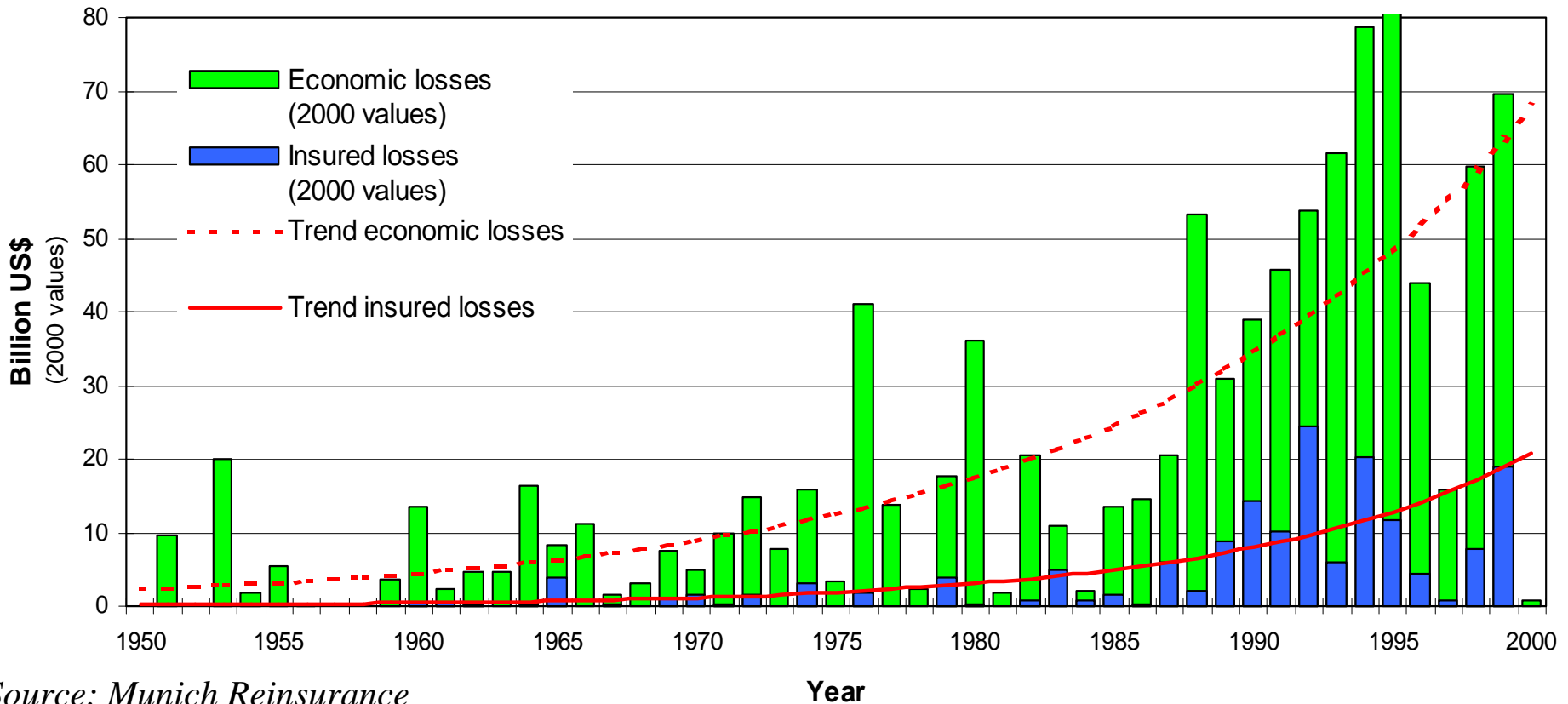
*Thomas Loster, Munich Re*

# The **PURPOSE** of this presentation

- 1) Introduce **UNEP Finance Initiatives** and its **Climate Change Working Group**
- 2) Present our **Position Paper** on Climate Change and highlight its key messages

# Great Natural Disasters 1950 – 2000

## Economic and insured losses with trends



Source: Munich Reinsurance

# Great Weather Disasters 1950 - 2000

Decade comparison

	Decade 1950 - 1959	Decade 1960 - 1969	Decade 1970 - 1979	Decade 1980 - 1989	Decade 1990 - 1999	last 10 1991 - 2000	Factor last 10:60s
<b>Number</b>	13	16	29	44	72	69	4.3
<b>Economic losses</b>	39.8	52.3	76.7	121.8	410.0	383.0	7.3
<b>Insured losses</b>	0	6.9	11.1	22.2	95.2	81.1	11.7

Losses in US\$ billion - 2000 values

NatCatSERVICE

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**UNEP Finance Initiatives**  
Innovative Financing for Sustainability

# Insurance industry is prepared for increasing losses

- Adequate pricing
- Substantial deductibles, based on the respective exposure
- Loss prevention
- Accumulation control
- Liability limits
- Reinsurance, retrocession
- Improved claims settlement
- Exclusion of certain hazards
- Exclusion of particularly exposed areas





**UNEP Finance Initiatives**  
Innovative financing for sustainability

Financial Institution Initiative (FII) was **founded in 1992**

Insurance Industry Initiative (III) was **founded in 1995**

Signatories **commit** to the integration of environmental considerations into all aspects of their operations.

Signed by **179 banks, 84 insurers** and 5 associate members  
(as of May 2001)

# UNEP FI Climate Change Working Group

**12 Members:** *Swiss Reinsurance, Corporacion Andina de Fomento (CAF); SAM Sustainability Group; UBS AG; LPC Centre for Risk Sciences; Citigroup; Gerling Group; Munich Reinsurance; CGNU plc; Andlug Consulting; Dresdner Bank; AG Prudential*

**One of UNEP FI's Three  
Core Working Groups**

# Climate Change Position Paper

## OVERVIEW



- Precautionary Approach is the appropriate way to address climate change.
- The Financial Services Sector can play an important role in meeting climate change challenges
- Financial sector supports the Kyoto Protocol and advocates a long-term and effective framework

# GENERAL POSITION

**Climate change poses major risks** *to the natural environment and to society*

*Early action to be taken to reduce these risks:*

- **Awareness raising** must continue as the fundamental basis for initiating adaptation and mitigation
- **Mitigation** reducing greenhouse gas emissions *now*
- **Adaptation** to manage the effects of climate change
- **Research** defining the effects of climate change more precisely, and refining the technology and tools

Sustainable and equitable solutions that draw on the resources and skills of the public and private sector





# The financial services sector will be affected by climate change

Banking, Insurance and Asset Management face challenges and opportunities:

- altered risk profiles of clients
- products and services for adaptation and mitigation, but delayed by only partial completion of political framework
- property losses by natural perils
- changing government policy, changing investment risks
- implementation of corporate environmental management

## Encourage governments to adopt a multiple-strategy approach

Operationalise the Kyoto process as a small but important first step.

Develop and implement Kyoto – using a minimum of regulation to harness the power of the market.

Construct a long term framework – on the basis of *Contraction and Convergence* for example.

Promote a strong code of corporate sustainability.

# KYOTO Protocol Mechanisms

## Clean Development Mechanisms

Valuable medium for adaptation and mitigation within the wider context of sustainable development

## Joint Implementation

Good fit with current financial practise. Finance sector is already participating actively in this area

## Emissions Trading

Modalities are uncertain. With clear rules, it could become an attractive market for financial services

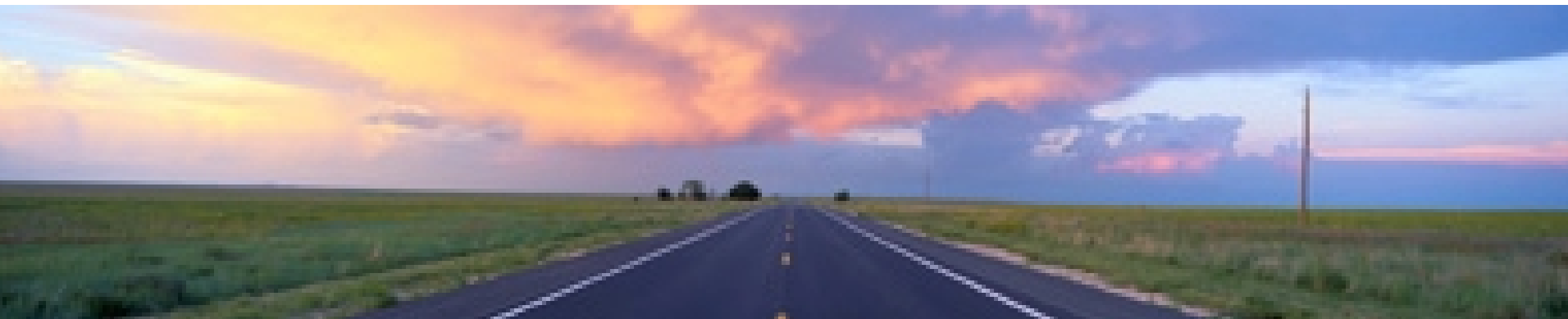
# Towards Sustainability

Transition to a low carbon economy, with emphasis on energy efficiency and renewable energy

Financial sector is willing and able to support this change

A supportive market structures and a long-term regulatory framework is needed

Kyoto Protocol is only the first step towards a sustainable energy economy





## Some Actions to date by UNEP FI Members

- Developed standard for corporate CO<sub>2</sub> emission reporting
- Participated in pilot projects to refine modalities of Kyoto flexible mechanisms
- Advised and supported companies as they assess their GHG emissions
- Financed alternative energy ventures
- Developed standards for environmental management systems in the financial sector
- Contributions to IPCC Reports
- Awareness raising



# UNEP Finance Initiatives Climate Change Position Paper

- precautionary approach to address climate change
- support of the Kyoto Protocol, but
- a long-term and effective framework is needed
- awareness raising, mitigation, adaptation and research needed to reduce risks of climate change
- climate change means risks and opportunities to the financial sector
- UNEP Finance Initiatives are willing to support the change towards a sustainable energy economy

