



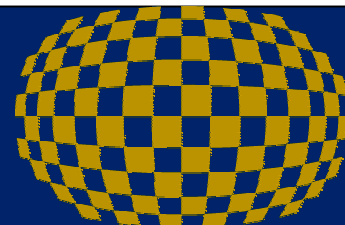
UNEP Finance Initiatives
Innovative financing for sustainability

Climate Change and the Financial Services Industry

**prepared by Innovest Strategic Value Advisors
with guidance from Andlug Consulting**

Context

- **Climate change threatens economic stability**
- **Kyoto targets are insufficient**
- **Kyoto mechanisms are valuable tools**
- **Mitigation market potential is **BIG****



Finance Sector View

Threats

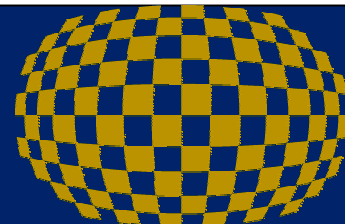
- **Damage to property (own and customers)**
- **Climate disasters undermine markets**
- **Returns on assets affected by mitigation policies**
- **Compounding of risks across sectors**

Opportunities

- **More demand for risk transfer**
- **Finance for mitigation projects**
- **New markets in emissions permits etc**
- **Public/private approach to unviable markets**

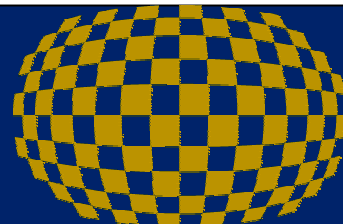
Activity

- **Modest, mainly in Europe eg reinsurers.**
- **Low awareness (senior levels and advisors)**



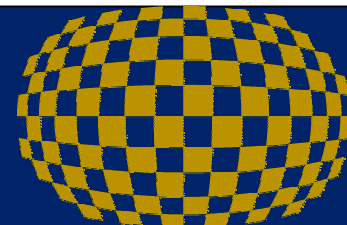
Barriers to Progress

- **Cognitive** - *sceptical / unaware of economics*
- **Political** - *delays in creating framework*
- **Analytical** - *few data or tools to quantify*
- **Operational** - *cumbersome, unclear rules*

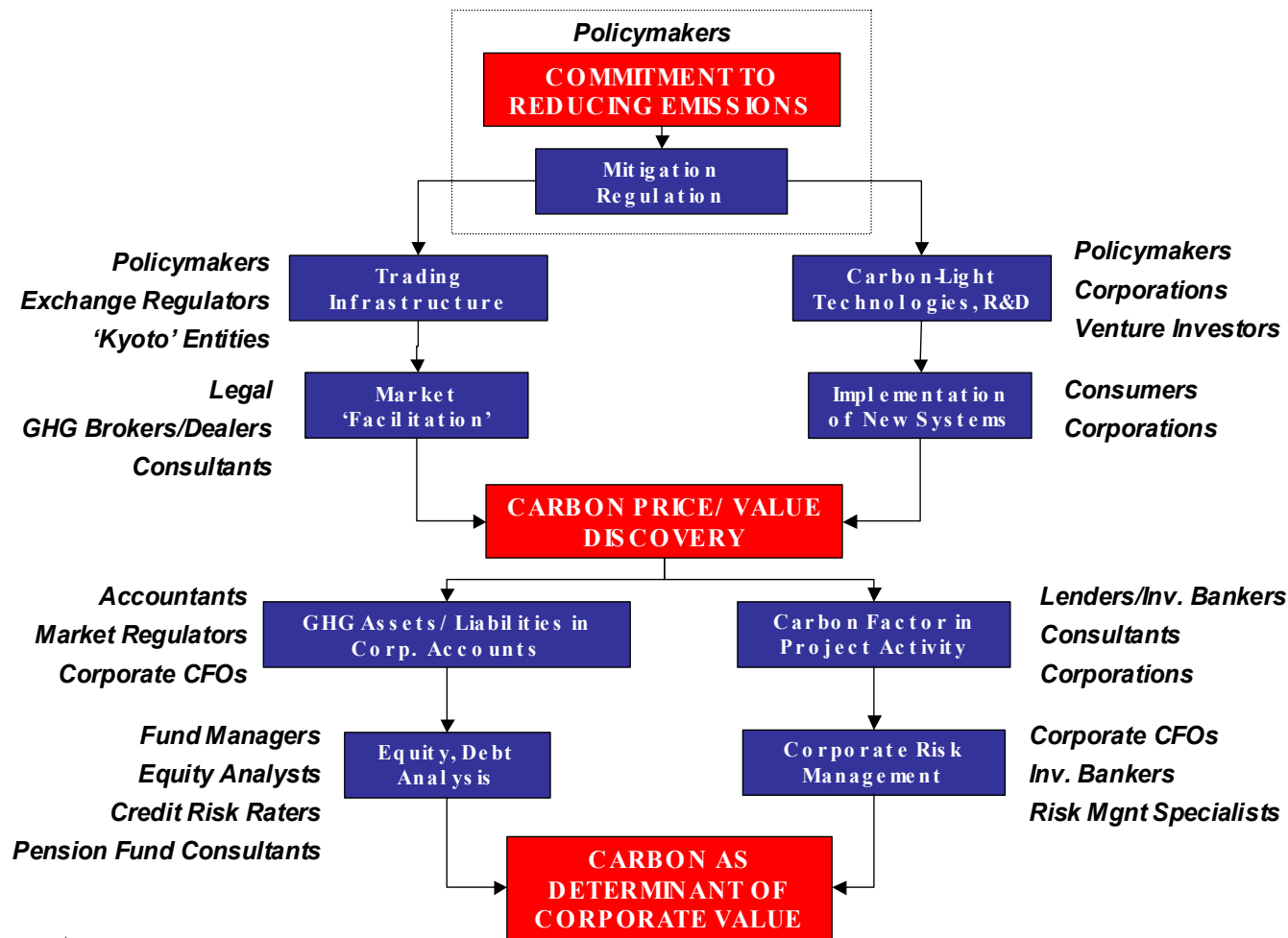


Policymaker Agenda

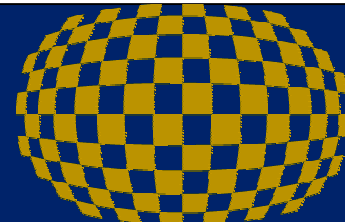
- **Long-term GHG targets for precaution and equity (eg Contraction and Convergence)**
- **Policies and measures to create carbon value (see diagram)**
- **Awareness-raising**
- **Support for LDC's**
- **Public/private collaboration**



Carbon as a Value-driver



Source: Innovest



Financial Sector Agenda

- **Awareness-raising**
- **CC methodologies for asset management, project finance, and other functions**
- **Automatic inclusion of CC in processes/products**
- **Collaboration with public sector to develop fair, efficient markets**
- **Provision of services for mitigation and adaptation projects**
- **In-house sustainability**

