

Financial Sector Calls on G8 to Back Deep Emission Reduction Targets to Avoid High Costs Caused by Global Warming

Truth and Reconciliation--UNEP Head Urges Countries to Face the Facts and Put Aside Differences to Overcome Climate Change

World Environment Day 2007

Oslo/Nairobi, 5 June 2007--Heads of more than 20 leading financial service companies are today calling on the G8 to back deep emission reduction targets on the eve of the summit in Heiligendamm.

They fear that unchecked climate change is likely to lead to an increase in climate-related disasters, with “grave social and environmental harm” including annual economic losses that could rise as high as USD 1 trillion by 2040.

The companies, members of the United Nations Environment Programme’s Finance Initiative, said in a statement today to the G8 summit in Heiligendamm:” There has been a seismic shift in how climate change is perceived and it is widely considered to be the greatest market failure ever”.

“Many of the effects of climate change are beginning to be manifested and the threats posed by continued warming will affect—and even possibly disrupt—the operation of markets, societies, ecosystems and cultures,” it says.

The statement, signed by 23 Chief Executive Officers, Presidents, Chairmen and Managing Directors of banks, insurance and re-insurance companies’ calls on Head of State to formally adopt emission reduction targets no later than 2009. The statement was developed by the UNEP Finance Initiative’s Climate Change Working Group.

They suggest that proposals by the UK and the European Union, setting out mandatory emission reductions of between 20 per cent and 30 per cent by 2020 and 60 per cent to 80 per cent by 2050, should be central to all industrialized country goals.

The move reflects growing global interest from business and industry for action on climate change. Today’s statement comes some six months after large corporations in America, including Duke Power, Alcoa and General Electric joined forces with NGOs to establish the United States Climate Action Partnership along with calls for emissions controls.

Achim Steiner, UN Under-Secretary-General and UNEP Executive Director, speaking on the occasion of World Environment Day (WED) hosted in northern Norway, today welcomed the move.

”We are here in Norway for WED under the banner Melting Ice—A Hot Topic. We have heard at first hand from local communities, including indigenous peoples such as the Saami how climate change and disappearing ice is impacting on livelihoods, natural resources and ecosystems. Scientists advise us that melting ice at the poles and in mountains will also impact on water supplies, coastlines and communities across the globe. So the issue of melting ice is as much an issue for the Arctic as it is for peoples south of the Equator”.

“The Arctic and icy regions are in the front-line, but there are front-lines opening up everywhere as a result of climbing greenhouse gases-- not least for industry and business like the financial services sector who are facing escalating risks to themselves and their customers,” he said.

“So I would urge leaders of nations at this G8+5 summit to draw inspiration from other examples of how deep rooted divisions of the past have been overcome. South Africa’s Truth and Reconciliation Commission is one example,” said Mr Steiner, who as part of WED celebrations in Norway shared a podium with Archbishop Desmond Tutu of South Africa.

“Let us acknowledge the truth as evidenced by the rigorous scientific findings of the Intergovernmental Panel on Climate Change in their striking reports this year. We must also recognize the fact that to delay action will only make the task harder and the solutions--be they market-led or technologically driven—slower in responding to the challenge,” said Mr Steiner.

“Countries must reconcile their differences and find common cause and build mutual trust around the achievements already being made. Indeed instead of finger pointing, nations should point to the emissions cuts being made in developed and rapidly developing economies alike,” he added.

“These are proof that investments in change can indeed deliver quantum leaps forward towards the low carbon economies that can transform the future. If the G8 can help build that trust, then it is not a very big step towards a multilateral agreement able to deliver the deep and meaningful reductions so urgently needed post 2012,” said Mr Steiner.

Dr. Joachim Faber, Member of the Executive Board, Allianz SE, said” Setting clear and mandatory, medium and long-term emission reduction targets and implementing appropriate incentive schemes should be part of a new climate change regime. Politics should not disappoint the trust of the market. What the economy needs is planning reliability for future investment decisions”.

Dr. Torsten Jeworrek, Member of the Board of Management Munich Re, said:”Munich Reinsurance Company has signed the declaration on climate change by the financial services sector because climate change is one of the greatest challenges of our time”.

“The latest studies show that it is cheaper to invest in climate protection than to pay for the losses that result from inactivity. It is thus prudent to act now from an economic perspective as well,” he said.

Peter Sands, Group CEO, Standard Chartered, said:” At Standard Chartered, we take a long term view of the consequences of our actions and we are committed to building a sustainable business. We recognise our capacity for social and economic contribution, the need to protect the environment and for good governance in all the markets that we operate in. We are proud to be a signatory to the UNEP FI Declaration on Climate Change”.

Barbara J. Krumsiek, President & CEO, Calvert, said: “As investors, we have a history of integrating climate change solutions into our investment philosophy and proxy voting. Now that the issue has reached the global crisis proportions, we need to help expand that focus by emphasizing the essential role public policy has to play”.

“This statement appropriately calls on governments to take strong action to curb greenhouse gas emissions not only to address this crisis but to also help protect the long-term investment horizon by spurring companies to set and meet hard targets to reduce greenhouse gas emissions,” she said.

Notes to Editors

The statement by members of the UNEP Finance Initiative in full:-

Declaration on Climate Change by the Financial Services Sector

As heads of some of the largest financial service organisations in the world, we acknowledge that:

- Unequivocally, human activity is a fundamental driver of climate change, as confirmed in the IPCC Fourth Assessment Report.
- Unless action is taken now to set in motion a worldwide transition to a low carbon economy, some scenarios suggest that by 2040, the world could experience annual economic losses as high as USD 1 trillion¹; and grave social and environmental harm from climate-related disasters.
- Climate change could result in a reduction in global GDP equivalent to the economic impacts of the 20th century's major conflicts, as predicted by the Stern Review to the UK Prime Minister.
- The most severe impacts of climate change, including extreme weather events, drought, crop failure and disease will fall most harshly on those regions and people least able to adapt to the impacts of climate change – the world’s poor.

In 2002, the UNEP Finance Initiative Climate Change Working Group, made up of some of the largest financial institutions from around the globe, alerted the finance and business communities, governments and public at large, to a number of the major risks posed by climate change to the world economy. In the 5 years since the landmark report, *Climate Change and the Financial Services Industry: Threats and*

¹ “Adaptation and Vulnerability to Climate Change: The Role of the Finance Sector”, UNEP FI Climate Change Working Group, December 2006.

Opportunities, UNEP FI and its members have urged governments to take greater and more concerted action, and have pushed for effective market-oriented solutions in tackling the problem.

More recently, there has been a seismic shift in how climate change is perceived, and is widely considered to be the greatest market failure ever. This is in part due to the fact that many of the effects of climate change are beginning to manifest, and that the threats posed by continued warming will affect—and even possibly disrupt—the operation of markets, societies, ecosystems and cultures. Many of the world’s politicians and business leaders are already taking action and proposing solutions.

These efforts, however, can only be regarded as a modest beginning, given the scale of the climate change problem. A global effort involving all nations, governments, business and industry is required to address a problem considered one of the greatest threats to humanity and the future well being of the planet.

Our actions will be made much more effective by adequate political and economic frameworks created by government. Against this background, we recognise that there is an important role to be played by the financial services sector in tackling this crisis. We commit to:

- Advance our knowledge and understanding of both climate change risks and opportunities.
- Quantify and integrate those risks and opportunities into our core financial operations. This includes working with our clients and investments – through engagement and product development - to reduce their carbon emissions.
- Similarly, assist our clients to manage the risks and opportunities of climate impacts, by assessing their exposure and providing products and services that improve their adaptive capability.
- Reduce our own direct impacts and carbon footprint and report and assess our annual emissions transparently.
- Incorporate the issue of climate change into our investment decision-making process to promote and protect asset growth in the companies and sectors in which we invest. This includes cooperation to encourage and harmonise disclosure of climate-related items in regular financial reporting, to more accurately assess the impacts of climate change on company performance.

Despite the pressing nature of the challenges posed by climate change, we believe that there is still time to act, and that government leaders and policymakers need to take action forthwith to design the policy and market frameworks to facilitate this process. We call for and urge government leaders to:

- Set clear and mandatory, medium and long-term emission reduction targets in industrial nations, building on the existing framework, such as the proposals presented by the UK and EU for a mandatory emissions reduction target in the industrial nations of 20-30% by 2020 and 60-80% by 2050.
- Set ambitious emission targets to be formally adopted by 2009 as part of the post-2012 regime, in order to build confidence in the process and ensure time-sensitive carbon market continuity.
- Expand use of market instruments such as emissions trading and those established through the Kyoto Protocol’s Clean Development Mechanism (CDM) and Joint Implementation (JI) to produce a carbon price and help drive low carbon investment.
- As part of the new international post-2012 agreements, simplify, standardise and streamline the CDM/JI process by 2009, such that these instruments can maximise their role in delivering environmental and sustainable development objectives.

- Adopt ambitious goals and incentives for renewable energy production, such as the target proposed by the EU to increase the share of renewable energy in European supply to 20% by 2020.
- Take steps to enable and encourage developing nations to adopt a climate-friendly path for their economic development.
- Implement energy efficiency programmes and Research and Development initiatives that include public-private partnerships and support the deployment of low carbon technologies.
- At the same time, we call for a systematic approach to adaptation that integrates climate change into existing and new programmes on disaster reduction and management, and sustainable development.

Signatories (in alphabetical order)

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