United Nations Environment Programme
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PROGRAMME DES NATIONS UNIES POUR L'ENVIRONNEMENT • PROGRAMA DE LAS NACIONES UNIDAS PARA EL MEDIO AMBIENTE
ПРОГРАММА ОРГАНИЗАЦИИ ОБЪЕДИНЕННЫХ НАЦИЙ ПО ОКРУЖАЮЩЕЙ СРЕДЕ

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PRESS RELEASE

Financial sector responding to climate change – impatient with pace of political progress

Bonn, 18 July 2001 – The economics of major global industries will undergo a sea change as the international community starts to address greenhouse gas emissions, say members of the United Nations Environment Programme's (UNEP) Finance Initiatives.

At a meeting here today, senior executives from leading financial companies told government officials gathered in Bonn for the climate change negotiations that key business sectors, facing both liabilities and opportunities associated with global warming, will see a new investment dynamic emerge. The bankers and insurers predicted that capital will shift from "carbon fuels toward renewable energy, efficiency programmes, and advanced public transit systems."

Insurance companies and banks predicted that global warming will "alter the economics of whole industries" as companies and consumers adapt to climate change. Investors holding some USD 30 trillion in stock investments around the world should anticipate major shifts in the economics of key industries as the international community starts to address greenhouse gas emissions. The finance sector executives suggested that the need for investors to adjust and adapt their investment portfolios will rise as societal and economic changes wrought by climate change build. About one third of the investments in global markets are presently managed by insurance and pension funds.

"The finance sector, through its insurance, lending and investment practices, can substantially contribute to either preserving or degrading the natural environment," said Klaus Töpfer, UNEP's Executive Director. "As the most important provider of private sector credit, insurance and asset-management services, financial institutions can play a major role in promoting sustainable development through the signals they send to their clients," he said. "The scientific evidence clearly shows that climate change is the most serious socio-economic and environmental problem facing humanity in the 21st century. The financial sector is taking a proactive role on climate change and it is important that they receive positive signals from governments this week in Bonn," Töpfer continued.

Erik Schmausser of SwissRe, Chairman of the UNEP Finance Initiatives working group on climate change, said: " Long-term international and national frameworks for market mechanisms are needed to address climate change. These emerging markets will bring in a whole new dynamic in exploring and implementing innovative solutions towards a climate friendly economy."

Thomas Loster of the Munich Re Group stated: "Weather and climate related disasters today already play a major role. With global warming the risk situation will be aggravated with dramatic natural disaster losses. A single event such as a major US hurricane could exceed USD100 billion economic damage."

Speaking from Caracas, Mr L. Enrique Garcia, Executive President of the Andean Development Corporation (CAF), said: " Developing countries are already suffering the consequences of climate change with the increased frequency and intensity of severe climate events. Developing regions, such as Latin America, are not only the most affected but also the least responsible, given that its historical contribution to GHG is small compared to more industrialized countries. For us this is a development issue and this is why CAF is already providing financial services for carbon mitigating projects."

Highlights of the finance sector presentations in Bonn include:

1. The finance sector needs an international framework. The sector supports the positive dynamic created by the Framework Convention and Kyoto Protocol negotiations process. Ultimately, the international community must create a powerful global response to climate change, for example, the model advocated by the "contraction and convergence" approach is one option.
2. Over the last few decades, the international insurance industry has been confronted with a drastic increase in the scope and frequency of losses due to major natural disasters, most notably over the past 10 years.
3. The annual loss amounts within the next decade will come close to US$150 billion, of which roughly one third will be insured.
4. Analysis of the natural catastrophes of recent decades – which have individually cost the insurance industry more than US$ 1 billion – clearly shows that weather-related natural disasters played an outstanding role.
5. Only two of the 31 costliest such natural disaster losses recorded to date were not weather related, and 28 of these 31 natural disasters have occurred since 1990.

Andrew Dlugolecki, on behalf of the UK headquartered insurance company, CGNU, said: "The financial services sector should adopt a proactive position on climate change. We need to apply the precautionary principle to the issue, looking at financial products and services that can encourage investment towards cleaner technology and reduced emissions. Also, we must cooperate with other stakeholders in risk management measures that will address the climate change challenge. Policies to manage the impacts of climate change will inevitably entail the supply of financial services in terms of insurance, credit and investment."

Companies participating in the UNEP Finance Initiatives presentation included: CGNU; Corporacion Andina de Fomento (CAF); Gerling Group; Munich Re; Sustainable Asset Management (SAM); Swiss Re and UBS AG.

Note to journalists: A press briefing with members of the UNEP Finance Initiatives and Klaus Topfer, UNEP Executive Director will take place at 16h in Saal Reger in the Maritim Hotel, Bonn. For more information please contact Michael Williams at +49-160-367-5933 or Robert Bisset at +33-6-2272-5842. See also www.unepfi.net for more details.