UNEP Finance Initiatives:
Innovative financing for sustainability

UNEP FINANCE INITIATIVES
Press Release

Finance sector ready to implement Kyoto Protocol: Multi-billion USD market is waiting

Leading banks and insurance companies met in Marrakech, Morocco, 1 November, 2001 as observers to the United Nations Framework Convention on Climate Change (UNFCCC) Kyoto Protocol negotiations. Their message to the negotiators was clear and simple: Finance is ready with financial products and services to tackle the threat of climate change.

Estimates indicate a potential market for emissions trading alone upward of USD 100 billion a year. However, the lack of a clear regulatory framework is still preventing the market from coming to life." The companies called on governments to build on the Kyoto Protocol and speed the creation of a framework that encourages a dynamic market.

During a two hour briefing for governments, business and environmental groups, member companies of the United Nations Environment Programme Finance Initiatives (UNEP FI), unveiled a new policy document on key climate change issues.

Supporting companies, including CAF, the Gerling Group, Munich Re, Swiss Re and UBS, have stressed the need to act "now" to effectively manage the risks of climate change to the environment, society and the economy. The institutions predict a dramatic increase in economic losses due to natural disasters.

Thomas Loster, Munich Re, explained: "The number of really big weather disasters have increased four-fold if we compare the last decade to the 1960s. The economic losses have leapt seven-fold and the insured losses are eleven times greater. This worsening trend looks likely to further increase and deepen in its severity."

He added: "Prevention and loss mitigation are the most important steps and the Kyoto Protocol, if implemented successfully, will be a first step but will trigger a huge wave of positive developments."

The companies also announced the launch of a major finance sector study on the future greenhouse gas emission market. The new study, which will also explore the critical issues of "mitigation and adaptation", will be presented to the September 2002 World Summit for Sustainable Development in South Africa.

Erik Schmausser of Swiss Re, the Chairman of the UNEP FI Climate Change working group, commented: "Both the new policy paper and the launch of this study are major initiatives for the financial sector. UNEP FI brings together some of the leading companies in the banking, insurance and asset management worlds with the growing consensus that the precautionary approach is the appropriate way to deal with climate change."

Economics and Trade Unit (ETU), Division of Technology, Industry and Economics (DTIE)
15 Chemin des Anemones, 1219 Châtelaine Genève
Mailing Address: UNEP, Palais des Nations, 1211 Genève 10, Switzerland
Tel: (41 22) 917.82.43/917.81.78 Fax: (41 22) 796.92.40/917.80.76 E-mail: etu@unep.ch
He continued: "It is not possible to quantify all the environmental, economic and social effects before taking action to reduce greenhouse gas emissions. Research can reduce the uncertainty, but never completely eliminate it."

Government negotiators at the UN climate talks, the companies say, should set in place a clear, effective international regulatory framework that allows innovative market responses to tackle the menace of global warming. A framework that promotes the development of global emissions trading markets and encourages climate friendly investment flows will be the most effective way to respond to climate change.

Concluding, Erik Schmausser, Swiss Re, said: "Internationally compatible, easy to understand greenhouse gas emission schemes with clear reduction target and based on market mechanisms will be the most effective and cost-efficient measure to address climate change."