The financial sector and climate change

Presented by UNEP Finance Initiatives (UNEP FI)

At this event, representatives from the UNEP FI Climate Change Working Group and the financial services sector discussed the risks and opportunities posed by climate change for the financial sector, and presented papers and case studies of emissions reductions and trading schemes.

Thomas Loster, Munich Re, noted that the four-fold increase in major weather disasters between the 1960s and 1990s resulted in a seven-fold increase in economic losses and an eleven-fold increase in insurance losses. He highlighted the insurance industry's flexibility and emphasized that it is prepared to deal with increasing losses.

Erik Schmausser, Swiss Re, provided an overview of UNEP FI's recently released Climate Change Position Paper. The paper: advocates the use of the precautionary approach in addressing climate change; expresses the financial sector’s support for the Kyoto Protocol and for a long-term and effective framework to address climate change; acknowledges the significant risks, as well as opportunities posed by climate change; and urges early action through awareness raising, mitigation, adaptation and research.

Matthew Varilek, Natsource, presented a paper that offers predictions of GHG price scenarios for 2000-2012. By examining results of various GHG market models, analyses of variables not previously considered, experience from SO2 market models and prices, and emerging prices in the emerging GHG market, the paper presents price predictions for three policy scenarios (full international trading, Annex I trading only, and domestic measures only). The paper projects that, for 2000-2004, prices per ton of carbon equivalent are likely to remain at approximately their current levels; for 2005-2007, prices are likely to be lower, perhaps at EUR 10 or less; and for 2008-2012, while most models converge in the EUR 10-20 range, actual prices are likely to remain below EUR 10.

Jorge Barrigh, CAF, outlined CAF’s Latin American Carbon Programme (PLAC), which was launched in 1999 to complement activities on disaster mitigation from El Niño and jump-start the carbon market in Latin America. PLAC’s mission is to develop real commercial opportunities within the emerging carbon market, and to leverage experience and competitive advantage to benefit its customers.

Michel Matthey de l’Etang, UBS, outlined UBS’ Alternative Climate programme, which facilitates investments in climate mitigation projects and aims to reduce CO2 emissions, generate certificates and create financial returns for investors.

Schmausser described a major finance sector study on the future GHG emissions market which will be launched next year. The study will aim to identify an appropriate macro-level policy to bring climate change within physically and financially “safe” levels, and recommend appropriate market frameworks that will encourage financial institutions to engage in the GHG market. The study will provide a better understanding of the future market of GHG reductions, identify options for innovative financial products and services in this market, identify best practices in climate change adaptation and mitigation projects, and make recommendations on appropriate political actions to encourage financial activities in these areas.

Greenhouse gas trading in the European Union

Presented by the Emissions Marketing Association

Jos Delbeke, European Commission, introduced the European Union’s (EU) proposed directive on GHG trading. EU-wide emissions trading would be based on company trading and would ensure compatibility with emissions trading under the Kyoto Protocol. The preliminary phase would start in 2005 and provide for free emissions allowance allocation, lower penalties for non-compliance, and a review process. Failure to comply would be addressed in accordance with existing EU non-compliance provisions.

More information:
http://europa.eu.int/comm/environment/climat/home_en.htm
http://www.pegelwatch.org
http://www.e5.org/pages/ccg.htm
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