Adaptation, Mitigation and Policy

A Financial Sector View

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Overview

Adaptation
- damage per year rising towards $150B
- insurers can help to control this

Mitigation
- prospective energy markets $2T per year
- investors are slow due to uncertain policy

Policy
- bolder action will harness the markets
- North/South collaboration necessary

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Adaptation and Kyoto

- Key concern for LDC’s (Articles 4.8, 4.9)
- UNFCCC workshop explored insurance as a tool
- Effects flow from natural hazards and mitigation policy
- Economic diversification best for mitigation policy
  - long-term economic planning
  - transition arrangements

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Adaptation - natural hazards

- Integrate climate events with disaster management
- Co-ordinate private and public sector resources
- Essential first step is risk assessment
- Pilot in a small sample of countries
# Financial Structure for Hazards

<table>
<thead>
<tr>
<th>International Capital Markets</th>
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<tbody>
<tr>
<td>International Reinsurance</td>
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<tr>
<td>Country/regional Pool with MLFI Support</td>
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<table>
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<tr>
<th>Private Market</th>
<th>Public Pool</th>
<th>Self-Insurance</th>
<th>Disaster Relief</th>
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<tbody>
<tr>
<td>Industry &amp; Wealthy</td>
<td>SME &amp; Middle-class</td>
<td>Infrastructure</td>
<td>Poor</td>
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source: World Bank

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Why the Carbon Disclosure Project?

- Investors lack data on corporate emissions or strategies - no duty to disclose/EU ETS is first regional incentive

- CDP asks global top 500 quoted companies for this data

- Backed by 87 investors (many UNEPFI) with $9.2T assets

- Copied by USA investors (INCR- 21/11/03)
Carbon Disclosure Project in action

• First report published in 2003 (35 backers then)

• Response rate 71% (including “no”): worse in USA

• UNEPFI members helped to prompt non-respondents

• Second report due in May 2004—see cdproject.net

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Longterm ghg targets for precaution and equity
Policies and measures to create carbon value
Awareness-raising and basic research
Support for LDC’s
Public/private collaboration

Source: UNEPFI study, 2003
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Inevitability of Contraction and Convergence

- Total level of ghg’s follows a path that **contracts** to safety
- Shares **converge** so everyone has equal ghg rights
- Creation of “positive rights” for LDC’s primes new markets through emissions trading and technology transfer
- A global trading system = “emergence of a global currency”
  - Lord Browne, CEO of BP, 26.11.03 investor conference
Closing the fossil door opens the REEEP door!
From Policy to Action

Targets

Markets

Technology

Carbon Value

Assets

Rate of return

Corporate Value
Getting started

Confidence building steps ...

- Adequate disaster management for LDC’s
- Level playing field for LDC fossil fuels
- Range of domestic and international PAM’s for REEEP

then strategic agreements

- Kyoto Protocol ratification
- Contract and converge “fast group” from North and South
- Parallel actions by others

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