



# Financial Industry/ Insurance Regulation & the Net Zero Agenda

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November 29<sup>th</sup>, 2021

# Net Zero Challenges

## What the last 15+ years taught us

- ➔ National government actions not as broad or quick as needed to achieve Paris goals
- ➔ Private enterprises have an important role, financial industry included, but not all moving at the same pace – is that okay?
- ➔ Greenwashing is real – who and how to insure transparency and credibility?
- ➔ Improving the ecosystem of the net zero transition a must for the next 15 years



# Quick Introduction to Net Zero Initiatives

# State Actor Partners

## Paris Agreement

- First-ever universal, limited **legally binding global climate change agreement**, adopted at the Paris climate conference (COP21) in December 2015
- close to 190 Parties
- Governments agreed”
  - to **limit global warming to well below 2, preferably to 1.5°C**, compared to pre-industrial levels;
  - on the **need for global emissions to peak as soon as possible**, recognising that this will take longer for developing countries;
  - to undertake rapid reductions thereafter in accordance with the best available science, so as to **achieve a balance between emissions and removals in the second half of the century**

# Real Economy & Local Government Partners

## Race to Zero

- ➔ Mobilizes a coalition of leading net zero initiatives, representing 733 cities, 31 regions, 3,067 businesses, 173 of the biggest investors, and 622 higher education institutions
- ➔ These '**real economy**' actors join 120 countries
- ➔ Committed to achieving net zero carbon emissions by 2050 at the latest
- ➔ Collectively cover nearly 25% global CO<sub>2</sub> emissions and over 50% GDP
- ➔ Led by the High-Level Climate Champions for Climate Action – Nigel Topping and Gonzalo Muñoz



### Who joins *Race to Zero*?

- Businesses
- Small and Medium-sized enterprises
- Certified B Corporations
- Chambers of Commerce
- Cities
- Exponential Roadmap Initiative
- Regions/States are
- Universities
- Financial Institutions: Investors/  
Banks/Insurers/Financial Services  
Providers

# Financial Services Industry Peers

## Glasgow Financial Alliance for Net Zero (GFANZ)

- ➔ Co-chaired by Mark Carney, UN Special Envoy on Climate Action and Finance, and recently joined by Michael Bloomberg as other co-chair
- ➔ Brings together over 160 firms from net zero initiatives across the **financial system**
- ➔ Accredited by the UN Race to Zero campaign
  - ➔ must use **science-based guidelines** to reach net zero emissions,
  - ➔ cover **all emission scopes**, include 2030 interim target setting, and
  - ➔ commit to **transparent reporting and accounting**
- ➔ Will endure beyond COP26 – journey to net zero will last for decades and will only increase in importance and priority

**NZAOA**  
Net Zero Asset  
Owners Alliance

**NZBA**  
Net Zero  
Banking Alliance

**NZAMI**  
Net Zero Asset  
Managers  
Initiative

**NZIA**  
Net Zero  
Insurance  
Alliance

**NZFSPA**  
Net Zero Financial  
Services Provider  
Alliance

**NZICI**  
Net Zero Investment  
Consultants  
Initiative

# Insurance Industry Peers

## Net Zero Insurance Alliance

- ➔ At the G20 Climate Summit in Venice in July 2021, eight of the world's leading insurers and reinsurers launched the NZIA under the auspices of the UN Principles for Sustainable Insurance (PSI) to transition insurance and reinsurance underwriting portfolios to net-zero emissions by 2050.

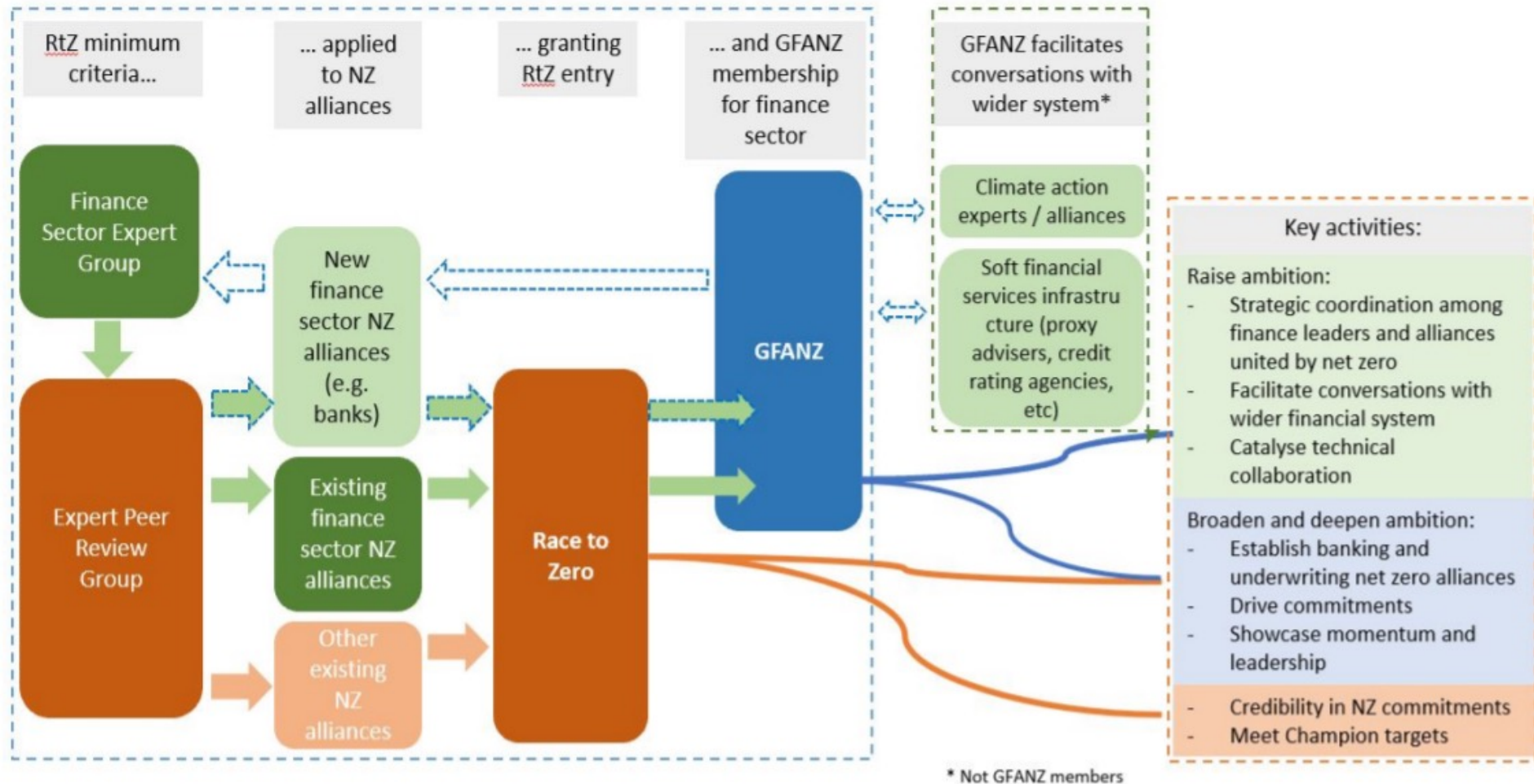
➔ **Eight founding members: AXA Chair (CRO Renaud Guidee)**



➔ **Six new members:**



# Net Zero initiatives – picture worth a thousand words







# Global and Local Regulators

# Regulatory Agenda

## The role and activities covered

- ➔ Market efficiency and integrity
- ➔ Consumer and investor protections, including competition and pricing
- ➔ Capital formation or access to credit
- ➔ Illicit activity
- ➔ Financial stability

## Financial Service Activities within Scope

(some variations by country)

- **Financial Institutions** (company itself), **markets** (the collective of companies and their activities), & **products** (specific financial products and services)
- **Banking** (commercial and consumer), **insurance**, & **securities** (buy & sell of financial assets)
- Activities/products of investments, lending, savings, credit, insurance/risk transfer, advisory, wealth management

# Relevant Regulators & Supervisors

Insurance not always the first consideration...

## **International** (Advisory)

- Financial Stabilities Board
- International Organizations of Securities Commissions
- Basel Committee on Banking Supervision

## **Prominent State** (Mandatory)

- European Banking Authority
- European Securities and Markets Authority
- European Insurance & Occupational Pensions Authority (EIOPA)
- U.S. Federal Reserve Board
- U.S. Securities and Exchange Commission

## **Others/Associations** (Advisory)

- International Association of Insurance Supervisors (IAIS)
- European Insurance & Reinsurance Federation (CEA)
- Financial Industry Regulatory Authority (US - FINRA)
- National Association of Insurance Commissioners (US - NAIC)
- Association of Insurance Supervisors of Latin America (ASSAL)
- Insurance Development Forum (IDF)

# Role of Regulators in Net Zero

Currently, and potentially

- ➔ Draft, require, promote, and/or audit requirements or standards
  - ➔ Recognition of climate change impacts and impact on financial stability
    - Solvency II type rules in many jurisdictions
  - ➔ Reporting and disclosure requirements, specific and consistent
    - Include, or not, GHG contributions (i.e. scopes 1 and 2)
- ➔ Enable peer collaboration on sustainability matters through associations and alliances
  - ➔ Competition considerations
  - ➔ Formal or informal guidance
  - ➔ Broader economic concerns, in consideration of climate impacts

## Examples

- SEC consideration of climate disclosures in public filings
  - “facilitating the disclosure of consistent, comparable, and reliable information on climate change”
  - Task Force on Climate-Related Financial Disclosures (TCFD)
- UK Competition and Markets Authority
  - Recent request for consultation for competition considerations of sustainability efforts

# Impact of Climate Change on Insurers...

...or how insurers impact climate change?

## ➔ Impact of Climate Change on Insurers

- ➔ Short-term profitability leading to long-term insolvency
  - Weather related impacts of droughts, floods, etc.
  - Rising health and life claims due to climate related factors like extreme heat, food instability, pollution, etc.
- ➔ Climate litigation in some markets
  - Accusations of climate liability, or lack of climate action

## ➔ Insurers Impact on Climate Change

- ➔ Enable GHG emitters through risk transfer options
- ➔ Enable through reinsurance as well
- ➔ Provide sustainable claims solutions
- ➔ Support green transition, with risk transfer solutions for new technologies needed
- ➔ Provide clients risk management solutions, for resilience to climate impacts & for their own NZ transition

Initial insurance industry support for these considerations provided by the **Principles for Sustainable Insurance (PSI)**, and now supported by the **Net Zero Insurance Alliance (NZIA)**



**Thank You**