



Insuring the net-zero transition: Evolving thinking and practices

A white paper produced by the Net-Zero Insurance Alliance
convened by UN Environment Programme's Principles for
Sustainable Insurance Initiative

April 2022



Published by UNEP FI's Principles for Sustainable Insurance Initiative in April 2022

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About UN Environment Programme's Principles for Sustainable Insurance Initiative

Endorsed by the UN Secretary-General and insurance industry CEOs, the Principles for Sustainable Insurance (PSI) serve as a global framework for the insurance industry to address environmental, social and governance (ESG) risks and opportunities—and a global initiative to strengthen the insurance industry's contribution as risk managers, insurers and investors to building resilient, inclusive and sustainable communities and economies on a healthy planet.

Developed by UN Environment Programme's Finance Initiative, the PSI was launched at the 2012 UN Conference on Sustainable Development (Rio+20) and has led to the largest collaborative initiative between the UN and the insurance industry. As of March 2022, more than 200 organisations have joined the PSI, including insurers representing about one-third of world premium and USD 15 trillion in assets under management, and the most extensive global network of insurance and stakeholder organisations committed to addressing sustainability challenges. The PSI also hosts the Net-Zero Insurance Alliance and the Sustainable Insurance Facility of the Vulnerable Twenty Group of Finance Ministers (V20).

Learn more at:

unepfi.org/psi

unepfi.org/net-zero-insurance

v20sif.org/

"The Principles for Sustainable Insurance provide a global roadmap to develop and expand the innovative risk management and insurance solutions that we need to promote renewable energy, clean water, food security, sustainable cities and disaster-resilient communities."

**UN Secretary-General
(PSI launch, 2012 UN Conference on Sustainable Development)**



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This paper was also reviewed by members of the NZIA Antitrust Work Stream.



Executive summary

It is unequivocal that human influence has warmed the atmosphere, ocean and land. Each of the last four decades has been successively warmer than any previous decade since 1850. Global surface temperature was 1.09°C higher in 2011–2020 than 1850–1900, with larger increases over land (1.59°C) than over the ocean (0.88°C).¹

Widespread and rapid changes in the atmosphere, ocean, cryosphere and biosphere have occurred, including more frequent and intense extreme events, causing widespread adverse impacts and related losses and damages to nature and people, beyond natural climate variability. Widespread, pervasive impacts to ecosystems, people, settlements, and infrastructure have resulted.²

It is these adverse impacts and their future development, particularly if climate change continues to be unmitigated, that impacts the insured risks accepted by the insurance industry. The insurance industry should not only sound the alarm. It now has an unprecedented opportunity to work with its clients, policymakers, regulators and the wider financial sector to mitigate greenhouse gas (GHG) emissions and achieve a net-zero economy—and to help the world adapt to the impacts of ongoing climate change—in line with the aims of the Paris Agreement.

The advent of the Net-Zero Insurance Alliance

This paper outlines the evolving thinking and practices via the work of the Net-Zero Insurance Alliance (NZIA), a group of over 20 leading insurers representing about 12% of world premium volume, to address the net-zero challenge in the context of insurance underwriting portfolios. The NZIA is a UN-convened and member-led alliance that supports its members as they work towards decarbonising their underwriting portfolios by individually setting science-based intermediate targets and reporting on their progress annually and publicly. The NZIA also advocates for and engages in governmental policies for a science-based and socially just transition of economic sectors to net zero.

1 IPCC (2021): Summary for Policymakers. In: Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [Masson-Delmotte, V., P. Zhai, A. Pirani, S.L. Connors, C. Péan, S. Berger, N. Caud, Y. Chen, L. Goldfarb, M.I. Gomis, M. Huang, K. Leitzell, E. Lonnoy, J.B.R. Matthews, T.K. Maycock, T. Waterfield, O. Yelekçi, R. Yu, and B. Zhou (eds.)]. Cambridge University Press. In Press. ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_SPM_final.pdf

2 IPCC (2022): Summary for Policymakers [H.-O. Pörtner, D.C. Roberts, E.S. Poloczanska, K. Mintenbeck, M. Tignor, A. Alegría, M. Craig, S. Langsdorf, S. Löschke, V. Möller, A. Okem (eds.)]. In: Climate Change 2022: Impacts, Adaptation, and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [H.-O. Pörtner, D.C. Roberts, M. Tignor, E.S. Poloczanska, K. Mintenbeck, A. Alegría, M. Craig, S. Langsdorf, S. Löschke, V. Möller, A. Okem, B. Rama (eds.)]. Cambridge University Press. In Press. ipcc.ch/report/ar6/wg2/downloads/report/IPCC_AR6_WGII_SummaryForPolicy-makers.pdf



As risk managers, insurers and investors, the insurance industry has an important role in the transition to a net-zero global economy. Net-zero insurance is a new concept catalysed by activities of UN Environment Programme's Principles for Sustainable Insurance Initiative (PSI), culminating with the launch of the NZIA in July 2021. Therefore, the relevant net-zero insurance frameworks, definitions and methodologies are still evolving, with the NZIA statements of commitment basically serving as the foundation and ambition for net-zero insurance thinking and practices.

For example, the first global standard to measure insurance-associated emissions is currently being developed by the Partnership for Carbon Accounting Financials (PCAF) in collaboration with the NZIA. Once developed, the standard will help insurers understand the climate impact of their underwriting decisions, laying the foundation to decarbonise their insurance underwriting portfolios through target setting, scenario analysis and strategy development.

Closing the emissions accounting gap: From financed emissions to insurance-associated emissions

Historically, the topic of emissions accounting and decarbonisation and, more recently, net-zero targets has been primarily assessed and addressed from the perspective of investment and lending portfolios—not insurance underwriting portfolios. So while there has been a considerable amount of work on financed emissions to develop the relevant metrics—and consequently decarbonisation targets—for investment and lending, there has been virtually no work done on insurance.

A fundamental reason for this situation is the way insurance has been viewed and treated over the years. Insurance has been largely viewed as an instrument to **absorb** financial shocks. In this context, having insurance coverage is the central point. This is why the insurance risk management value chain—from understanding, preventing and reducing risk; to transferring risk through insurance—has been much more closely linked to the adaptation and resilience agenda which deals with the physical impacts of climate change—not the mitigation and decarbonisation agenda which deals with reducing GHG emissions. In this regard, the PSI has broadened the perspective by also looking at insurance as an **enabler** of economic activities and to what extent it addresses environmental, social and governance (ESG) issues, including negative externalities such as GHG emissions, nature loss and human rights violations. The question is no longer just about having insurance coverage or not. Now the question is also about what assets and activities are being insured and their impacts on the environment and society.

The NZIA is therefore a concrete manifestation of how insurance can be a lever to reduce GHG emissions in line with a 1.5°C net-zero transition pathway. Despite the lack of work and focus on insurance and decarbonisation over the years, there is now an accelerated effort by the NZIA and PCAF to produce this year the first global standard to measure and disclose emissions associated to insurance underwriting portfolios. This is because PCAF's flagship *GHG Accounting and Reporting Standard* currently only covers methodologies for measuring the GHG emissions associated to lending and investment portfolios (i.e. financed emissions).



According to the PCAF scoping document, *GHG emissions associated to insurance and reinsurance underwriting portfolios*, which was released for public consultation in March 2022, the core difference between financed emissions and insurance-associated emissions is in the “follow the money” principle, which is a key tenet for GHG accounting of financial assets. It means that the money should be followed as far as possible to understand and account for the climate impact that financial assets have in the real economy. Different financial products require different GHG accounting methodologies for measuring and disclosing GHG emissions associated to these products. Another important difference is the nature of the relationship between the financial institution and the client. The property & casualty lines of insurance business mitigate risks associated with economic activity, but they do not finance this activity and do not imply any form of ownership. The lack of ownership or direct control over the client activity is a key differentiation that impacts the influence an individual insurer will have on the decisions made by the client to reduce the associated emissions.³

Therefore, in the case of insurance-associated emissions, PCAF refers to the “follow the risk” principle instead of the “follow the money” principle. As an example, claim payments can be characterised as a money flow. However, insurance proceeds are not an investment or loan as the right to proceeds from insurance is contingent on the occurrence of an insured event. While an insurance policy can and does support economic expansion and growth, the specific claims payments (i.e. the money) are intended for recovery, and not expansion or enrichment. Additionally, many insurers have a relationship with clients in the context of both a liability (insurance) and an asset (investment). Without clear accounting rules, this presents additional complexities to avoid multiple accounting of the emissions.⁴

The PCAF scoping document also states that the relationship between an insurer and insured is formed differently than the relationship between an investor and an investee. Investors choose the client in which to make an investment, whereas the client ultimately chooses the insurer and this insurer is often introduced to the insured through an insurance broker or agent. Furthermore, the length of the contractual relationship for many property & casualty insurance lines is most often on an annual basis, whereas corporate investment and financing relationships are usually structured over a multi-year period.⁵ There has also been limited progress on GHG emissions related to underwriting portfolios due to the complexities of double-counting and lack of suitable data.⁶

3 PCAF (2022): GHG emissions associated to insurance and reinsurance underwriting portfolios: Scoping document carbonaccountingfinancials.com/files/2022-03/pcaf-scoping-doc-insurance-associated-emissions.pdf?031a1633b0

4 Ibid

5 Ibid

6 Chief Risk Officers (CRO) Forum (2020): Carbon footprinting methodology for underwriting portfolios thecro-forum.org/wp-content/uploads/2020/05/CRO-Carbon-Foot-Printing-Methodology.pdf



Building on the NZIA's collaboration with PCAF, the NZIA will be producing a target-setting protocol by January 2023 in collaboration with the Science Based Targets Initiative (SBTi). Such a protocol will enable NZIA members to individually set intermediate science-based targets for their respective underwriting portfolios every five years in line a 1.5°C net-zero transition pathway, and independently report on their progress annually and publicly.

The NZIA's theory of change

The NZIA's theory of change is that it is "real economy" corporate action which drives emissions reductions and insurance market participants need to find ways to support and encourage real economy actions to achieve their own net-zero insurance targets. These actions fall into three main areas of GHG mitigation tactics, which can be supported and encouraged by insurance in the following ways:

Abatement: Measures that companies take to prevent, reduce, or eliminate sources of GHG emissions within their value chain, which is the top priority for the next 5 to 10 years.

- As new business models are created to deliver decarbonised goods and services from sectors, there will be new risks, which underwriters will need to understand, develop loss data for, and price.
- Working with clients and governments to address systemic risks and the lack of appropriate legislation or regulation to encourage new zero-carbon activities.
- Support a responsible transition away from GHG-intensive activities. This is also an area where insurance products (e.g. pensions, critical illness, other life and health protection products) can play a part in the evolution of social protection systems to support a just transition.
- Develop the role that insurers can play in the full life cycle aspects of carbon in all sectors. For example, requiring low-carbon replacements for damaged goods or property to help drive decarbonisation of underwriting portfolios over time.

Neutralisation: Measures that companies take to remove CO₂ from the atmosphere in order to counterbalance the impact of a source of GHG emissions, within the value chain of the company, that remains unabated.

- Developing an understanding of negative emissions technologies and their risks, especially the permanency of removal and designing new products and approaches to managing those risks.
- Working with governments and clients to address specific risks relating to transport and storage of CO₂, in particular the risks related to storage leaks. Examples include direct air capture unit (DACCs) or through the capture of emissions used in the production and use of bio-energy (BECCS) or biomass (BiCRS)
- For nature-based neutralisation approaches, underwriters should consider ways to protect existing carbon sinks, following approaches like Reducing Emissions from Deforestation and Forest Degradation (REDD+), enhanced carbon sequestration in agricultural soils and enhanced bio-sequestration techniques



Compensation: Measures that companies take to prevent, reduce or eliminate sources of GHG emissions outside of their value chain. Supporting the scaling of voluntary carbon markets and ensuring they are underpinned by assets, or projects that effectively avoid CO₂.

- There is a strong link between compensation (i.e. the financing of abatement and neutralisation mitigation tactics) and the risks that underpin these. Insurance may be one of the best ways to help manage these compensation and abatement project risks, ensuring efficient carbon markets and an effective carbon price.

Most of these GHG mitigation tactics will be enabled by understanding how insurable risk exposures change as companies and sectors transition to a zero-carbon economy and change the delivery of their products and services to zero-carbon approaches.

There will be opportunities for insurers to enhance their value proposition in terms of insurance products and risk management services, helping companies to address risks associated with new business models, working across value chains and with governments on policies and regulations that enable, or even mandate, the development of new business models to be implemented at pace.

The role of insurance in a just transition to net zero

It has been recognised that the shift to a resilient net-zero economy will likely increase prosperity and could be a net driver of job creation. However, there will be transitional challenges for workers, communities, cities and countries while this shift takes place. To address this, insurance strategies dealing with climate change must consider the social consequences that a rapid net-zero transition might cause, while ensuring that it is inclusive and that no one is left behind—a core principle of the UN Sustainable Development Goals. The concept of a just transition⁷ comes from combining climate action with social inclusion.

Implementing a just transition does not mean slowing down the path to a net-zero economy, but incorporating social risk management related to workers and local communities into the insurance activities associated with implementing the strategies stemming from the Paris Agreement. If not managed, unemployment, community discontent and lack of labour skills could slow down and even halt the net-zero transition process.

Insurers, especially life and health insurers, through their protection, pension, savings and health propositions, provide an important pillar of social protection systems. Obviously, these vary from country to country depending on the political expectations of electorates, the social protection systems put in place by governments, and the laws and regulations of different jurisdictions that govern them. On their own, life and health insurance policies are not sufficient to manage all the risks that come from the transition to net zero, so governments will need to play their part in managing these risks.

⁷ Just Transition Centre (2017): Just transition: A report for the OECD oecd.org/environment/cc/g20-climate/collapsecontents/Just-Transition-Centre-report-just-transition.pdf



Given the long-term consequences of the COVID-19 pandemic and the effect it will have on the world's ability to address the global risk of climate action failure, such as reducing the attention and focus needed for governments to take effective and quick climate action, it is hard to see how any transition of this scale can be anything but disruptive and disorderly.⁸ And if greenwashing and stalling on climate commitments delay the net-zero transition, then there will be even more disruption as more radical policies will be needed to decarbonise and achieve the net-zero transition goals.

In this context, it becomes even more important for insurers to work with governments to ensure that people have access to social protection through life and health insurance products that complement and support other social protection systems offered by governments to their citizens. This could pave the way for a greater opportunity for the insurance industry to play a leading role in insuring a net-zero transition that is just, inclusive, resilient and sustainable.

NZIA priorities to advance net-zero insurance

The NZIA has established a range of work streams to address key challenges and opportunities, namely: metrics, target setting, engagement, antitrust and competition laws, life and health insurance, and communications. They represent NZIA priorities that will speed up and scale up net-zero insurance thinking and practices in the global insurance industry in order to reduce emissions in the real economy and achieve real-world impact.

⁸ World Economic Forum (2022): The global risks report 2022, 17th edition weforum.org/reports/global-risks-report-2022



1. Introduction to the UN-convened Net-Zero Insurance Alliance

The Net-Zero Insurance Alliance (NZIA) was established by a group of leading insurance and reinsurance companies (referred to as “insurance companies” or “insurers” henceforth for brevity), who are all signatories to the UN Principles for Sustainable Insurance (PSI), under the auspices of the UN Environment Programme’s PSI Initiative, the largest collaboration between the UN and the global insurance industry.

The NZIA was launched at the G20 Climate Summit in Venice in July 2021 by its eight founding members: AXA (NZIA Chair), Allianz, Aviva, Generali, Munich Re, SCOR, Swiss Re and Zurich Insurance Group. These companies have committed to individually transition their insurance and reinsurance underwriting portfolios to net-zero greenhouse gas (GHG) emissions by 2050, consistent with a maximum temperature rise of 1.5°C above pre-industrial levels by 2100, contributing to the implementation of the Paris Agreement on Climate Change. By establishing the NZIA, these insurers are building on their climate leadership as investors through their membership in the UN-convened Net-Zero Asset Owner Alliance (NZAOA) established in 2019. They are therefore demonstrating the key role of the insurance industry as risk managers, insurers and investors in supporting the transition to a net-zero economy.

As of March 2022, the NZIA has nearly tripled its membership to over 20 insurance organisations and aims to grow further to make the NZIA truly global by promoting its goals to various insurance market participants including brokers, marketplaces and associations, each of which has a specific underlying commitment:

- [Commitment for risk carriers](#) (insurers and reinsurers)
- [Commitment for insurance marketplaces](#) (Lloyd’s of London)
- [Commitment for brokers](#)
- Commitment for supporting institutions (e.g. insurance associations)—Upcoming



Although this paper does not focus on the investment management activities of insurance companies, it is also a key role of the insurance industry in supporting the net-zero transition and wider sustainability efforts. The investor role of insurers is highlighted in the UN Principles for Sustainable Insurance⁹ and the NZIA statements of commitment.¹⁰ Therefore, this paper also highlights its size and own complex system (see Section 2.3). The net-zero commitments of insurers with respect to their investment activities are being overseen by other sub-sector alliances within the overarching Glasgow Financial Alliance for Net Zero (GFANZ), in particular the Net-Zero Asset Owner Alliance (NZAOA) and the Net Zero Asset Managers Initiative (NZAMI).

⁹ The possible actions under Principle 1 of the Principles for Sustainable Insurance include “Investment management: Integrate ESG issues into investment decision-making and ownership practices (e.g. by implementing the Principles for Responsible Investment)”

¹⁰ For example, the NZIA statement of commitment for risk carriers states: “Aim to transition its investment portfolio to net-zero GHG emissions by 2050 and consider joining relevant initiatives (e.g. Net-Zero Asset Owner Alliance) in order to achieve, within my company, a consistent approach to net zero”



2. Introduction to the insurance industry

The insurance industry is one of the largest global industries with more than USD 6 trillion¹¹ in world premium volume and 36 trillion¹² in global assets under management. As such, insurers hold a significant portion of global economic assets and liabilities on their balance sheets.

2.1 Risk pooling in the insurance industry: Sharing the risks of the few among the many

It is important to understand that insurance is not only a risk transfer mechanism to compensate financial losses, but also a risk management mechanism because insurers support their clients in carrying out risk reduction and loss prevention measures in conducting their business.

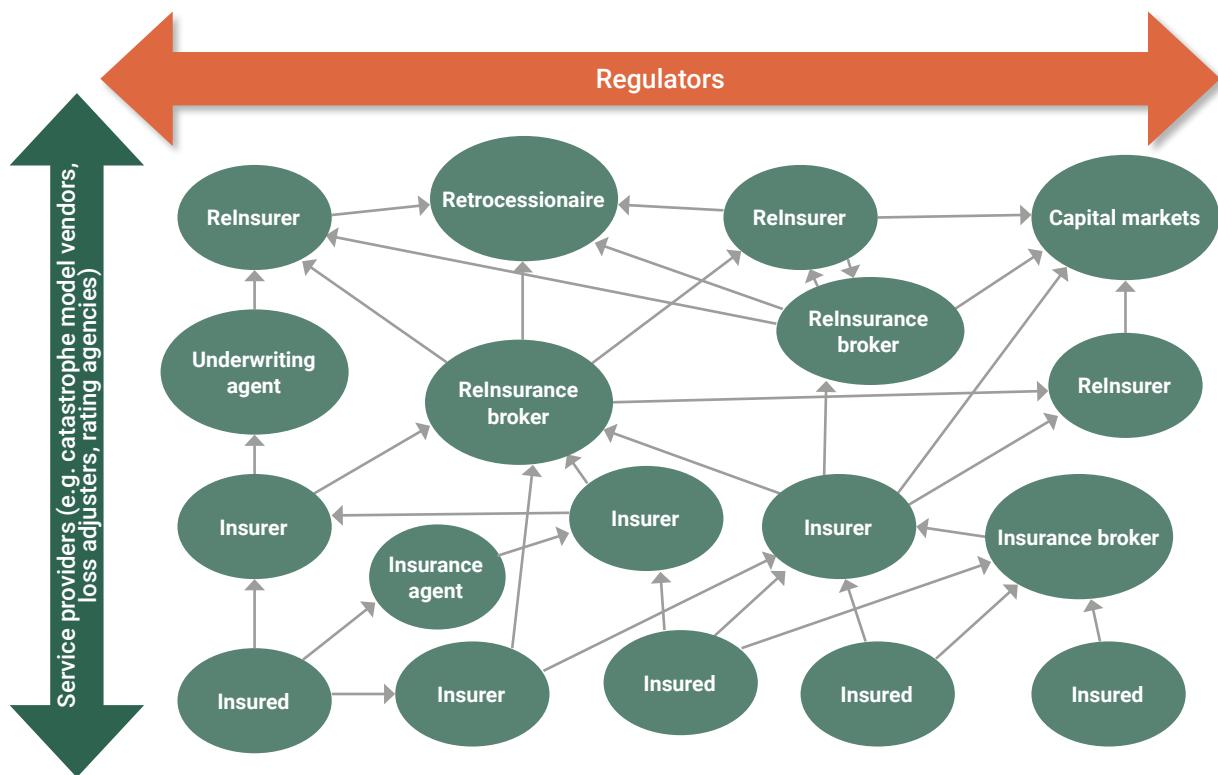
Since certain risks are too large to be borne by an individual insurer, these risks are often spread in a complex risk-sharing system comprising many players. Historically, and it is still true today, the underlying principle of “sharing the risks of the few among the many” through insurance underwriting, has supported societal and economic resilience. This has been the case since modern-day insurance evolved in the 17th century, when the risks of lost shipping cargoes were covered by underwriters operating from the coffee shops of London and led to the establishment of the insurance marketplace, Lloyd’s of London.

Figure 1 illustrates the different players that spread risks within the insurance industry through insurance, reinsurance (“insurance of an insurance”) and retrocession (“reinsurance of a reinsurance”).

11 Swiss Re Institute (2021): Sigma No. 3/2021: World insurance: The recovery gains pace [swissre.com/institute/research/sigma-research/sigma-2021-03.html](https://www.swissre.com/institute/research/sigma-research/sigma-2021-03.html)

12 TheCityUK (2021): Key facts about the UK as an international financial centre 2021 thecityuk.com/research/key-facts-about-the-uk-as-an-international-financial-centre-2021/

Figure 1: How risks are spread in the insurance industry



Source: UNEP¹³

In today's insurance markets, insurers, reinsurers and retrocessionaires are all known as **risk carriers** as they are the ones who put capital at risk and ultimately pay claims. Insurance agents and insurance brokers provide services to insureds and insurers, as well as to their clients—ensuring that they understand and can access the most appropriate insurance cover for their needs—with agents representing insurers, and brokers representing insureds. Similarly, reinsurance brokers and reinsurance underwriting agents provide services to insurers, reinsurers and retrocessionaires. The common denominator for agents and brokers in the system is that they are all **intermediaries** who act as channels in spreading risks. There are other service providers (e.g. catastrophe model vendors, loss adjusters, rating agencies), but they are not directly involved in the risk-sharing process. Finally, this risk-sharing system (including via the capital markets) is overseen by insurance and financial regulators and supervisors.

13 UNEP FI Insurance Working Group (2009): The global state of sustainable insurance: Understanding and integrating environmental, social and governance factors in insurance unepfi.org/fileadmin/documents/global-state-of-sustainable-insurance_01.pdf



2.2 Insurer actions for climate change adaptation and mitigation

As **risk managers**, insurers help communities understand, prevent and reduce climate change-related risks through their expertise in risk research and analytics, natural catastrophe risk models and loss prevention measures. Insurers can also advocate for improved policy from legislators and regulators which supports risk reduction in both the areas of climate adaptation and greenhouse gas (GHG) mitigation. Examples include more effective land-use planning, zoning and building codes, ecosystem-based disaster risk reduction, and disaster preparedness.

As **risk carriers**, insurers protect households, businesses, public entities and governments by absorbing the economic shocks related to severe weather-related risks such as cyclones, floods, extreme heat and droughts, thereby building physical and economic resilience. Risk-based insurance pricing can also provide risk signals and can incentivise risk reduction measures (e.g. usage-based or pay-as-you-drive motor insurance). Insurers also have the opportunity engage with their clients in risk-based discussions on their decarbonisation pathways and support the technological and business model risks associated with the transition to a net-zero economy.

However, there are also limitations to the influence that insurers can bring to bear on the net-zero transition. For example:

- Not all emissions-reduction activities reduce insurable risks. In some circumstances, the contrary is true as novel technology risks—with little or no data or claims history—often require higher insurance pricing, at least until a reliable claims history is gathered.
- Changes that might be considered to be “sustainable” or “green”—such as substituting high-carbon construction materials (e.g. steel, cement) with nature-based but more combustible alternatives (e.g. wood), or buildings designed with features such as grass roofs with solar panels—can increase fire load and increase the likelihood of combustion triggers, thus increasing insurance pricing and/or requiring changes in insurance policy terms and conditions.
- Many of the risks that insurers underwrite across different insurance lines of business are impacted by second, third or even fourth-order effects of the climate change transition. It is this complexity that is explored in later sections of this paper with potential pathways identified for insurance underwriters to play their part in supporting the net-zero transition.

As **intermediaries**:

- Insurance brokers play an important role as intermediaries in facilitating the transition to a net-zero economy. As the main conduit through which businesses buy insurance, brokers could potentially be asked to perform due diligence on their clients to make sure that the business they are placing complies with the criteria set out by insurers. They could also engage with clients to help them take steps towards reducing their GHG emissions as an organisation in order to be allowed to purchase a specific insurance policy.



- The risks for which brokers' clients will seek insurance cover will change over time as their risk profiles and insurance needs change—some coverages may become obsolete, while some new risks will require new insurance products. Brokers need to work closely with their clients and with insurers to understand how insurance products reflect the changing risk profiles of clients that come with either transition or physical risks related to climate change.

2.3 Insurers as institutional investors

Insurers underwrite risks for which they assess premiums that should correlate with risk experience and exposure. These premiums are pooled and become part of a fund of financial assets, which insurers invest to generate additional income to enhance, among others, their ability to meet their obligations to policyholders (i.e. insurance claims).

From both a macro- and micro-prudential point of view, insurance is a regulated industry that ensures adequate capitalisation and liquidity of assets to pay claims related to the liabilities insurers assume on their balance sheet on behalf of their clients. Insurance regulators and supervisors have implemented various solvency regimes in different jurisdictions to require insurers to match assets to liabilities and remain solvent under stress scenarios. This is an important difference compared with the fiduciary duties of other asset owners or asset managers, and constrains the ability of insurers to use their balance sheets for other purposes. This is of particular importance because “green” or “sustainable” investments will need to be reviewed from a capital adequacy perspective under different stress scenarios as for other investments. Furthermore, some insurance companies also have asset management firms which manage third-party assets.

Therefore, aside from being risk managers and risk carriers, insurers are also institutional investors with additional responsibilities to adhere to regulatory and supervisory requirements related to climate change risks. Figure 2 shows global investment management assets, including the assets managed by the insurance industry.

Figure 2: Conventional investment management assets, USD billion

	Pension funds (Dec 2020)	Insurance assets (Dec 2019)	Mutual funds (Jun 2021)
US	32,567	7,398	32,485
Japan	3,613	3,899	2,412
UK	3,564	2,606	2,310
France	166	865	2,525
Canada	3,080	-	1,820
Others	9,532	21,688	26,997
Total	52,522	36,456	68,549

Source: TheCityUK¹⁴

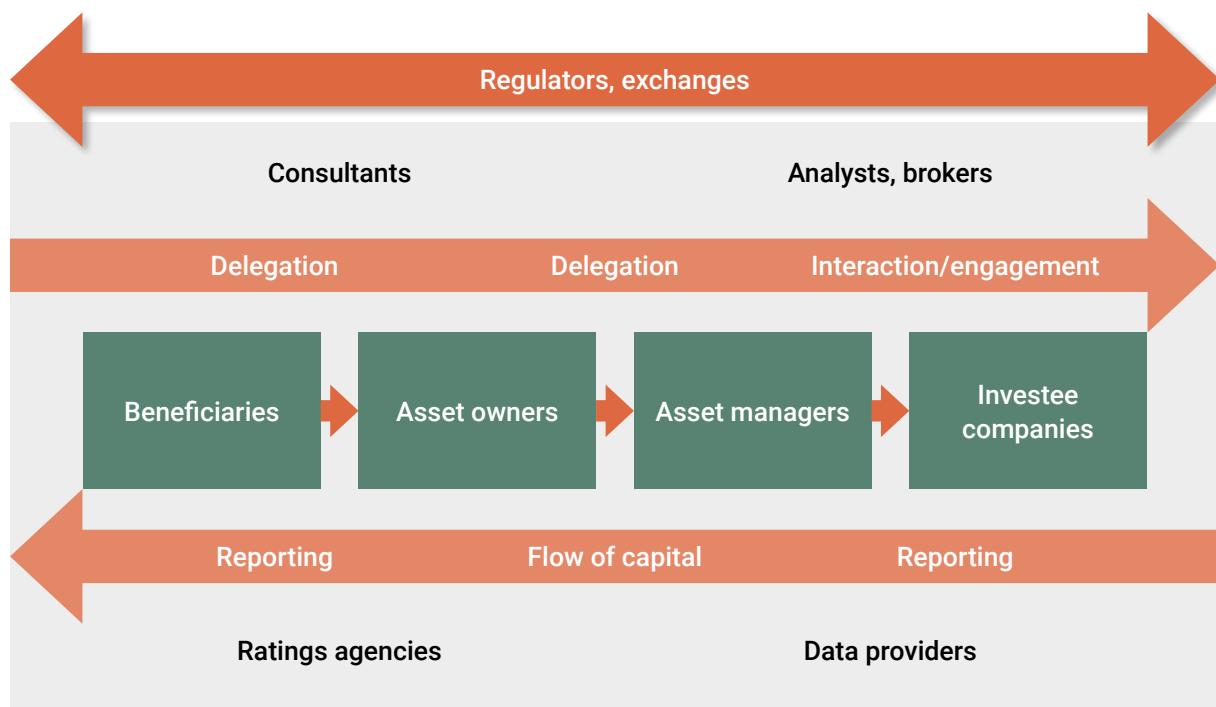
14 TheCityUK (2021): Key facts about the UK as an international financial centre 2021 [thecityuk.com/research/
key-facts-about-the-uk-as-an-international-financial-centre-2021/](http://thecityuk.com/research/key-facts-about-the-uk-as-an-international-financial-centre-2021/)



The institutional investor role of insurers is of significant importance to insurance operations and creates stability in the global financial system as insurers are natural, buy-side purchasers of the assets that the sell-side offer, which are often long-term in tenor and which are often held to maturity and match liabilities.¹⁵

Insurers generate income from both sides of the balance sheet, underwriting income (i.e. premiums less claims and other costs) on the insurance or liability side, and investment income on the asset side. Figure 3 depicts the institutional investment value chain, with insurance companies forming part of a group of asset owners (including pension funds, sovereign wealth funds, mutual funds, and foundations), with its various players along the chain and the flow of capital and corresponding activities and information.

Figure 3: The institutional investment value chain



Source: UNEP¹⁶

As institutional investors, insurers can and do engage with their investee companies—some of whom may also be insurance clients—on their decarbonisation pathways. In addition, insurers' investments in zero and low-emission infrastructure, technologies and transportation, sustainable water management, sustainable agriculture, and climate and disaster-resilient infrastructure equally support the transition to a resilient, net-zero emissions economy.

15 Buy-side firms in financial markets are financial institutions that purchase investment securities for their own accounts, or for investors with the goal of generating a return. Buy-side firms typically include insurance firms, mutual funds, hedge funds, and pension funds. Sell-side firms create, promote and sell products such as stocks, bonds, foreign exchange, and other financial instruments including private placements of debt and equity to the buy-side of the financial sector. Sell-side firms are typically Investment banks and corporate finance advisors.

16 UNEP FI Insurance Working Group (2009): The global state of sustainable insurance: Understanding and integrating environmental, social and governance factors in insurance unepfi.org/fileadmin/documents/global-state-of-sustainable-insurance_01.pdf



3. The insurance industry's role in supporting the transition to a net-zero emissions economy

Climate change **mitigation** (i.e. reducing greenhouse gas (GHG) emissions) and climate change **adaptation** (i.e. coping with the physical impacts of climate change and building resilience) are two sides of the same coin in the context of climate action. As risk managers, insurers and investors, the insurance industry is uniquely positioned to play an important role in supporting the transition to a net-zero emissions economy, helping to mitigate GHG emissions and build climate-resilient communities in line with the aims of the Paris Agreement on Climate Change.

The remainder of this paper focuses on climate change mitigation and insurance. It will specifically explore how the insurance industry can support the transition to a net-zero emissions economy through its risk management and insurance activities, which is the core focus of the Net-Zero Insurance Alliance.

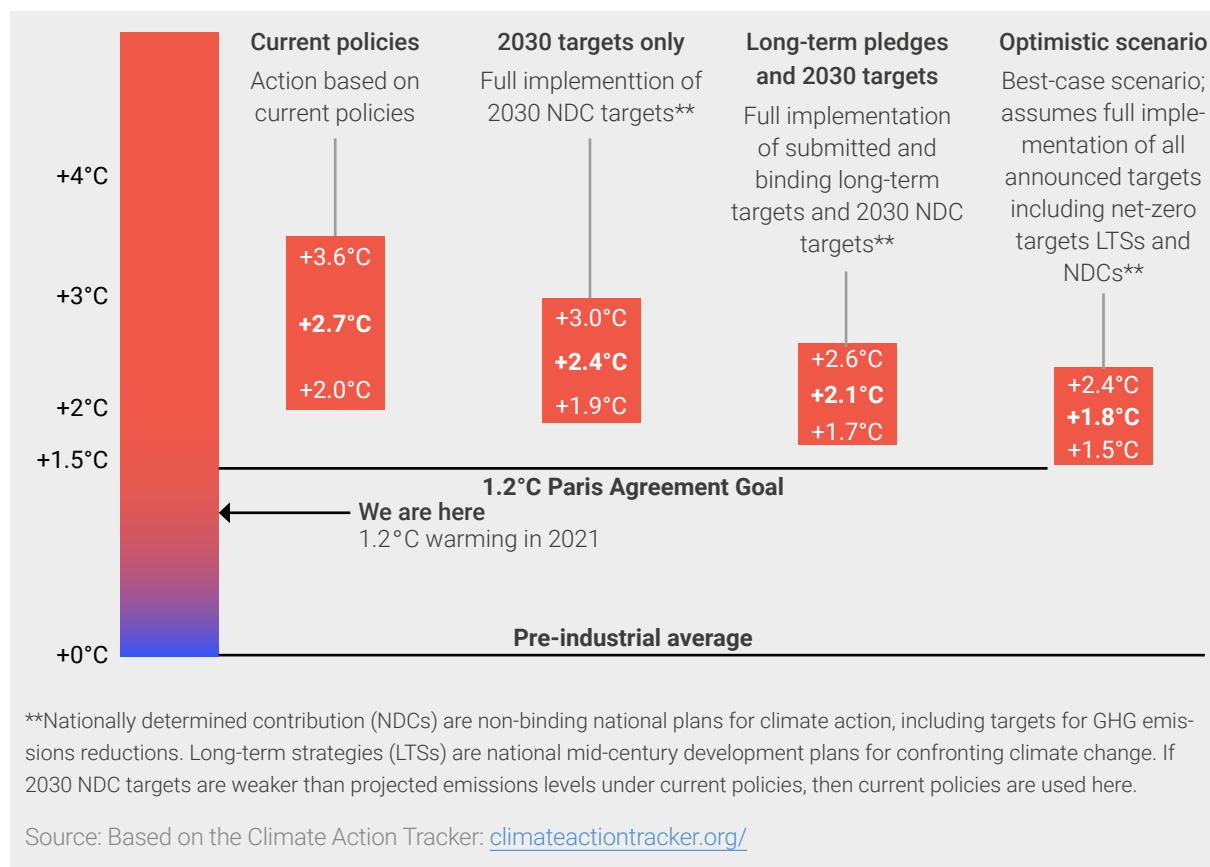
3.1 Definition of net zero and how this links to the Paris Agreement: A theory of change

Net zero is focused on climate change mitigation, not adaptation

Since the adoption of the Paris Agreement in 2015, momentum to tackle the climate crisis has been building. Progress has been made by all stakeholders: governments, businesses, finance, and changes in individual behaviours. But the progress has not been anywhere near fast enough, as is clear from the current policies, 2030 nationally determined contribution (NDC) targets, long-term pledges, strategies and net-zero targets, including agreements made at COP26.



Figure 4: Global temperature scenarios by 2100



Source: World Economic Forum¹⁷

According to the Intergovernmental Panel on Climate Change (IPCC), to achieve a trajectory of a 1.5°C or net-zero future by 2050, the world needs to halve emissions by 2030 compared to 2010 levels.¹⁸ Businesses will need to invest in new technologies and in some cases entirely new business models to drive deep decarbonisation.

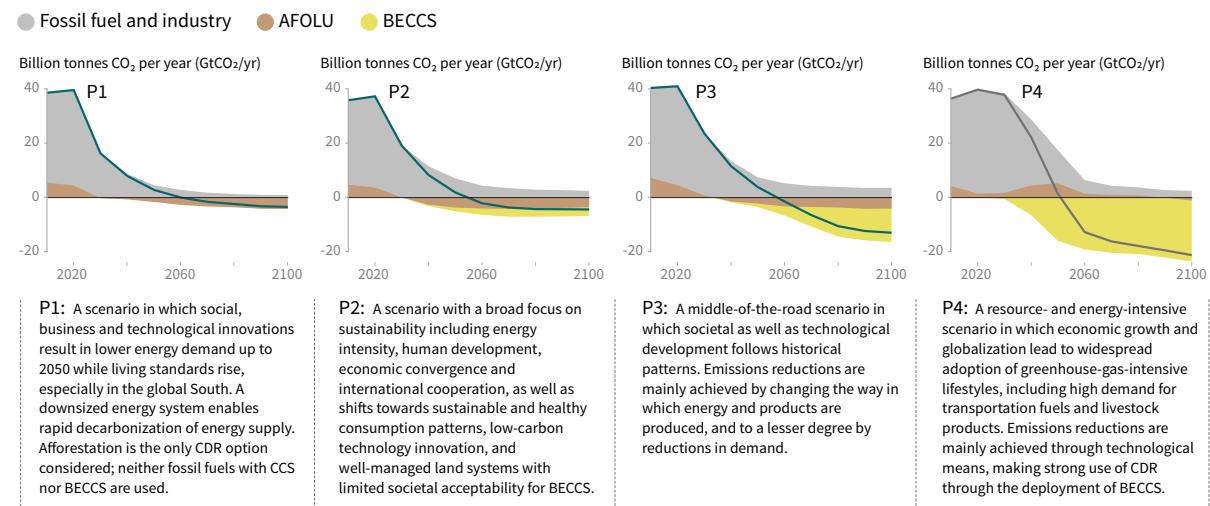
This is clear from the illustrative transition pathway scenarios (see Figure 5) that keep global warming within the Paris Agreement's 1.5°C limit which show the significant emissions reductions required from fossil fuel production and use in a wide range of carbon-intensive industries and sectors.

17 World Economic Forum (2022): The global risks report 2022, 17th edition weforum.org/reports/global-risks-report-2022

18 IPCC (2018): Summary for Policymakers. In: Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty [Masson-Delmotte, V., P. Zhai, H.-O. Pörtner, D. Roberts, J. Skea, P.R. Shukla, A. Pirani, W. Moufouma-Okia, C. Péan, R. Pidcock, S. Connors, J.B.R. Matthews, Y. Chen, X. Zhou, M.I. Gomis, E. Lonnoy, T. Maycock, M. Tignor, and T. Waterfield (eds.)]. World Meteorological Organization, Geneva, Switzerland, 32 pp ipcc.ch/site/assets/uploads/sites/2/2019/05/SR15_SPM_version_report_LR.pdf



Figure 5: Breakdown of contributions to global net CO₂ emissions in four illustrative model pathways



Source: IPCC¹⁹

In addition to emissions reductions, all IPCC 1.5°C pathways, set out in the diagram above, rely more or less on large-scale carbon dioxide removal (CDR) using nature-based carbon sinks in the Agriculture, Forestry and Other Land Use (AFOLU) sector and technical approaches such as Bioenergy with Carbon Capture and Storage (BECCS).

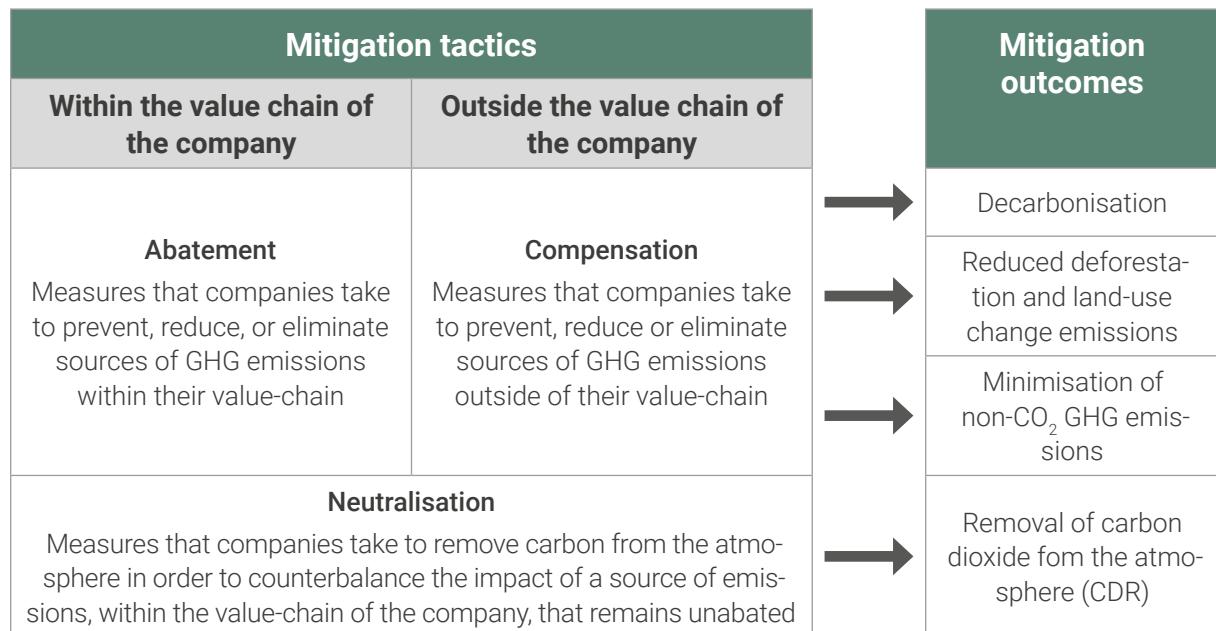
The challenge for insurers is to support “real economy” corporate action that drives emissions reductions, while also developing and achieving their own net-zero targets. In the real economy, especially in GHG-intensive sectors, there is a range of emissions reduction strategies and tactics falling under what the CDP and Science Based Targets Initiative (SBTi) describe as mitigation tactics—i.e. abatement, neutralisation and compensation (see Figure 6)—with the following timings and priorities:

- **Abatement:** Measures that companies take to prevent, reduce, or eliminate sources of GHG emissions within their value chain, which is the top priority for the next 5 to 10 years.
- **Neutralisation:** Measures that companies take to remove carbon from the atmosphere in order to counterbalance the impact of a source of GHG emissions, within the value chain of the company, that remains unabated. Long-term CDR will be needed to finally reach net zero over the next 30 years. In the next 5–10 years, abatement is the focus for the technological solutions that are already developed, like carbon capture, utilisation and storage (CCUS), but CDR solutions, both nature-based and technological, will need to be developed at scale as well.
- **Compensation:** Measures that companies take to prevent, reduce or eliminate sources of GHG emissions outside of their value chain. Very important for the transition over the next 5 to 10 years. Companies need to understand the efficacy of their compensation efforts, while supporting the scaling of voluntary carbon markets and ensuring they are underpinned by assets or projects that effectively avoid carbon.

19 Ibid



Figure 6: Taxonomy of climate mitigation tactics and outcomes



Source: CDP/SBTi²⁰

Theory of change: How will insurers change behaviour in the real economy?

The key approach of insurers in their theory of change is to find ways through their core activities of underwriting—the process of evaluating, defining and pricing insurance risks—and risk management to encourage and support companies to reduce their GHG emissions while also supporting the net-zero transition, especially in the most GHG-intensive sectors such as energy, transportation, industry and agriculture.

Most of this will be enabled by understanding how insurable risk exposures change as companies and sectors transition to a zero-carbon economy and change the delivery of their products and services to zero-carbon approaches. There will be opportunities for insurers to enhance their value proposition in terms of insurance products and risk management services, helping companies to address risks associated with new business models, working across value chains and with governments on policies and regulations that enable, or even mandate, the development of new business models to be implemented at pace.

20 CDP on behalf of the Science Based Targets Initiative (SBTi) (2020): Foundations for science-based net-zero target setting in the corporate sector, Version 1.0 [sciencebasedtargets.org/resources/files/foundations-for-netzero-full-paper.pdf](https://sciencebasedtargets.org/resources/files/foundations-for-net-zero-full-paper.pdf)



Similar to the NZAOA—which many members of the NZIA are also members of—a target-setting protocol will help companies to set robust targets and track progress towards net-zero goals. Target setting will be enabled by ground-breaking work to develop the first global standard to measure insurance-associated emissions²¹ that will be produced by the Partnership for Carbon Accounting Financials (PCAF) in collaboration with the NZIA, as announced in September 2021.²²

Once developed, this PCAF insurance-associated emissions standard will help insurers understand the climate impact of their underwriting decisions, laying the foundation to decarbonise their insurance and reinsurance underwriting portfolios through target setting, scenario analysis, strategy development, and individually taking concrete actions that will have “real-world” impact through emissions reduction in the “real economy”.

Furthermore, NZIA members will seek to explore the following approaches, implemented at the discretion of each member company and in accordance with applicable laws and regulations, including but not limited to:²³

- Setting independently sector specific underwriting criteria and guidelines for activities where member companies have, or can have, the most significant impact, particularly the most GHG-intensive and GHG-emitting activities within its underwriting portfolios, in order to be aligned with a 1.5°C net-zero transition pathway
- Engaging with clients and potential clients, particularly those with the most GHG-intensive and GHG-emitting activities, on their decarbonisation strategies and net-zero transition pathways
- Developing and offering insurance and reinsurance products, solutions and arrangements for low-emission and zero-emission technologies and nature-based solutions that enable capital flows to the net-zero transition
- Improving claims management in an environmentally sustainable manner to promote a net-zero economy
- Integrating independently-determined, company-specific net-zero and decarbonisation related risk criteria into risk management frameworks (e.g. ESG/sustainability risk management frameworks) applicable to underwriting portfolios²⁴ and promoting human rights, including the right to Free, Prior and Informed Consent (FPIC)²⁵
- Advocating for and engaging in governmental policies for a science-based and socially just transition of economic sectors to net zero

21 Insurance-associated emissions refer to emissions associated to insurance and reinsurance underwriting portfolios

22 PCAF & NZIA (2021) global announcement: Partnership for Carbon Accounting Financials collaborates with UN-convened Net-Zero insurance Alliance to develop standard to measure insured emissions unepfi.org/psi/wp-content/uploads/2021/09/PCAF-NZIA-announcement.pdf

23 See: unepfi.org/psi/wp-content/uploads/2021/07/NZIA-Commitment.pdf

24 For example, see: UNEP (2020): Managing environmental, social and governance risks in non-life insurance business: The first ESG guide for the global insurance industry developed by UN Environment Programme’s Principles for Sustainable Insurance Initiative unepfi.org/psi/wp-content/uploads/2020/06/PSI-ESG-guide-for-non-life-insurance.pdf

25 As articulated in the UN Declaration on the Rights of Indigenous Peoples and as outlined in the PSI guide mentioned above



In addition to the net-zero approaches outlined above, NZIA members will:

- Take into consideration the latest available scientific knowledge and associated social impacts, and the findings of recognised reports such as the IPCC AR6 Report on *The Physical Science Basis for Climate Change*²⁶ and the International Energy Agency's (IEA) Net Zero by 2050 report²⁷
- Work together with insurance associations, insurance and financial regulators and supervisors, governments, trade bodies, policymakers, the UN and other intergovernmental organisations to promote the goals of the NZIA, and to seek consistency of regulatory, supervisory and governmental policy frameworks with the net-zero transition
- Engage with non-member insurance industry, financial sector peers and trade bodies; leading scientific methodological and data-related organisations; academia; non-governmental organisations; and other key stakeholders on the goals of the NZIA

Net-zero emissions and the role of decarbonisation

Net-zero emissions are achieved when anthropogenic GHG emissions to the atmosphere are balanced by the same quantum of removals over a specified period. Where multiple greenhouse gases are involved, quantifying net-zero emissions depends on the climate metric chosen to compare emissions of different gases (e.g. CO₂ equivalent, global warming potential, global temperature change potential), as well as the chosen time horizon.²⁸ The PCAF standard will be aligned with the principles of the Greenhouse Gas Protocol.²⁹

One of the approaches insurers will need to support through their net-zero activities will be to help their clients abate GHG emissions, in particular through decarbonisation—the process by which countries, individuals or other entities aim to reduce their emissions. This typically refers to a reduction of the GHG emissions associated with GHG-intensive sectors, as outlined in the IEA's Net Zero by 2050 report in 2021.

However, as outlined above, to achieve net-zero emissions, in addition to abatement and decarbonisation, negative emissions technologies and approaches will also need to be encouraged and supported in the real economy by NZIA members. This means finding ways to support the removal of greenhouse gases from the atmosphere by deliberate human activities, in addition to the removal that would occur via natural carbon cycle processes.

26 IPCC (2021): Summary for Policymakers. In: Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [Masson-Delmotte, V., P. Zhai, A. Pirani, S.L. Connors, C. Péan, S. Berger, N. Caud, Y. Chen, L. Goldfarb, M.I. Gomis, M. Huang, K. Leitzell, E. Lonnoy, J.B.R. Matthews, T.K. Maycock, T. Waterfield, O. Yelekçi, R. Yu, and B. Zhou (eds.)]. Cambridge University Press. In Press. ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_SPM_final.pdf

27 International Energy Agency (IEA) flagship report (2021): Net zero by 2050: A roadmap for the global energy sector iea.org/reports/net-zero-by-2050

28 IPCC (2018): Annex I: Glossary [Matthews, J.B.R. (ed.)]. In: Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty [Masson-Delmotte, V., P. Zhai, H.-O. Pörtner, D. Roberts, J. Skea, P.R. Shukla, A. Pirani, W. Moufouma-Okia, C. Péan, R. Pidcock, S. Connors, J.B.R. Matthews, Y. Chen, X. Zhou, M.I. Gomis, E. Lonnoy, T. Maycock, M. Tignor, and T. Waterfield (eds.)]. In Press ipcc.ch/sr15/chapter/glossary/

29 ghgprotocol.org/corporate-standard



4. Potential insurance underwriting approaches to net zero

Net-zero insurance is a new concept catalysed by PSI activities, culminating with the launch of the NZIA in July 2021. Therefore, the relevant net-zero insurance frameworks, definitions and methodologies are still evolving, with the NZIA statements of commitment basically serving as the foundation and ambition for net-zero insurance thinking and practices.

Closing the emissions accounting gap: From financed emissions to insurance-associated emissions

Historically, the topic of emissions accounting and decarbonisation and, more recently, net-zero targets has been primarily assessed and addressed from the perspective of investment and lending portfolios—not insurance underwriting portfolios. So while there has been a considerable amount of work on financed emissions to develop the relevant metrics—and consequently decarbonisation targets—for investment and lending, there has been virtually no work done on insurance.

A fundamental reason for this situation is the way insurance has been viewed and treated over the years. Insurance has been largely viewed as an instrument to **absorb** financial shocks. In this context, having insurance coverage is the central point. This is why the insurance risk management value chain—from understanding, preventing and reducing risk; to transferring risk through insurance—has been much more closely linked to the adaptation and resilience agenda which deals with the physical impacts of climate change—not the mitigation and decarbonisation agenda which deals with reducing GHG emissions. In this regard, the PSI has broadened the perspective by also looking at insurance as an **enabler** of economic activities and to what extent it addresses environmental, social and governance (ESG) issues, including negative externalities such as GHG emissions, nature loss and human rights violations. The question is no longer just about having insurance coverage or not. Now the question is also about what assets and activities are being insured and their impacts on the environment and society.



The NZIA is therefore a concrete manifestation of how insurance can be a lever to reduce GHG emissions in line with a 1.5°C net-zero transition pathway. Despite the lack of work and focus on insurance and decarbonisation over the years, there is now an accelerated effort by the NZIA and the Partnership for Carbon Accounting Financials (PCAF) to produce this year the first global standard to measure and disclose emissions associated to insurance underwriting portfolios. This is because PCAF's flagship *GHG Accounting and Reporting Standard* currently only covers methodologies for measuring the GHG emissions associated to lending and investment portfolios (i.e. financed emissions).

According to the PCAF scoping document, *GHG emissions associated to insurance and reinsurance underwriting portfolios*, which was released for public consultation in March 2022, the core difference between financed emissions and insurance-associated emissions is in the “follow the money” principle, which is a key tenet for GHG accounting of financial assets. It means that the money should be followed as far as possible to understand and account for the climate impact that financial assets have in the real economy. Different financial products require different GHG accounting methodologies for measuring and disclosing GHG emissions associated to these products. Another important difference is the nature of the relationship between the financial institution and the client. The property & casualty lines of insurance business mitigate risks associated with economic activity, but they do not finance this activity and do not imply any form of ownership. The lack of ownership or direct control over the client activity is a key differentiation that impacts the influence an individual insurer will have on the decisions made by the client to reduce the associated emissions.³⁰

Therefore, in the case of insurance-associated emissions, PCAF refers to the “follow the risk” principle instead of the “follow the money” principle. As an example, claim payments can be characterised as a money flow. However, insurance proceeds are not an investment or loan as the right to proceeds from insurance is contingent on the occurrence of an insured event. While an insurance policy can and does support economic expansion and growth, the specific claims payments (i.e. the money) are intended for recovery, and not expansion or enrichment. Additionally, many insurers have a relationship with clients in the context of both a liability (insurance) and an asset (investment). Without clear accounting rules, this presents additional complexities to avoid multiple accounting of the emissions.³¹

The PCAF scoping document also states that the relationship between an insurer and insured is formed differently than the relationship between an investor and an investee. Investors choose the client in which to make an investment, whereas the client ultimately chooses the insurer and this insurer is often introduced to the insured through an insurance broker or agent. Furthermore, the length of the contractual relationship for many property & casualty insurance lines is most often on an annual basis, whereas corporate investment and financing relationships are usually structured over a multi-year period.³² There has also been limited progress on GHG emissions related to underwriting portfolios due to the complexities of double-counting and lack of suitable data.³³

Building on the NZIA’s collaboration with PCAF, the NZIA will be producing a target-setting protocol by January 2023 in collaboration with the Science Based Targets Initiative (SBTi). Such a protocol will enable NZIA members to individually set intermediate science-based targets for their respective underwriting portfolios every five years in line a 1.5°C net-zero transition pathway, and independently report on their progress annually and publicly.

30 PCAF (2022): GHG emissions associated to insurance and reinsurance underwriting portfolios: Scoping document carbonaccountingfinancials.com/files/2022-03/pcaf-scoping-doc-insurance-associated-emissions.pdf?031a1633b0

31 Ibid

32 Ibid

33 Chief Risk Officers (CRO) Forum (2020): Carbon footprinting methodology for underwriting portfolios thecroforum.org/wp-content/uploads/2020/05/CRO-Carbon-Foot-Printing-Methodology.pdf



While the technical guidance to measure insurance-associated emissions and set intermediate science-based targets is being developed, four key principles—aligned with the Glasgow Financial Alliance for Net Zero (GFANZ) elements of a credible transition plan³⁴—should be considered core elements of best practice net-zero insurance approaches individually and independently developed by insurers:

- 1.** Achieving the GHG reductions required to meet a 1.5°C low or no-overshoot scenario in insurance activities, via long-term net-zero (2050) and interim (2030 or sooner) targets
 - Targets should cover Scopes 1 and 2, a significant majority of insured emissions, including those from GHG-intensive sectors, as well as other Scope 3 targets where relevant (e.g. investments)
 - Residual GHG emissions should be permanently removed from the atmosphere to achieve net zero
 - Targets should align with just transition principles and the UN Sustainable Development Goals (SDGs)
- 2.** **Supporting the real economy** in its transition to net zero by 2050 or sooner via the insurance underwriting portfolio. This includes:
 - Engagement and stewardship with clients to achieve net zero, address risks and build climate resilience
 - Advocacy for climate and energy policies (e.g. carbon pricing) aligned with achieving global net-zero emissions
- 3.** Taking meaningful measures to embed net-zero commitments in **business practices**
 - Appropriate governance and oversight of delivery of net-zero targets
 - Development of specific policies to support delivery of net-zero goals (e.g. energy transition or deforestation policies)
- 4.** Acting now and **disclosing activity to stakeholders**
 - Disclosure of insurance-associated emissions, including Scopes 1 and 2, with Scope 3 included where deemed appropriate
 - Disclosure of the key actions that the organisation is taking to support the real economy to transition and the impact of these actions

³⁴ The Glasgow Financial Alliance for Net Zero (2021): Our progress and plan towards a net-zero global economy assets.bbhub.io/company/sites/63/2021/11/GFANZ-Progress-Report.pdf



In addition to these principles for a credible transition plan, net-zero insurance underwriting needs to align with real economy actions that drive climate change mitigation, as outlined in this paper's theory of change (see section 3). Key underwriting activities that support each mitigation tactic—i.e. abatement, neutralisation, compensation and engagement—are described below:

- **Abatement:** This is the main area of real economy actions over the next decade to reduce emissions in companies and sectors, in line with science-based sectoral decarbonisation pathways. It can happen either by designing out carbon-intensive activities (e.g. in manufacturing or operation of products) or by changing processes when delivering services (e.g. energy production, transportation). Key underwriting opportunities to support this are:
 - Working with clients to understand changing risk management and risk transfer needs. As new business models are created to deliver decarbonised goods and services from sectors, there will be new risks. In some cases, these new risks will be created by implementing novel technologies, which underwriters will need to understand, develop loss data for, and price. This may require underwriters to develop new products, or in many cases, existing products can be repurposed and risk lessons from other insurance lines of business or industry sectors applied.
 - Working with clients to help them understand their risk appetite and the role of risk transfer. There are many other ways to manage risk, which insurers can develop services for and improve the delivery of company's transition plans—from risk management services to more traditional underwriting of self-insured retentions through captive insurance companies, or other similar vehicles.
 - Develop the role that insurers can play in the full life cycle aspects of material carbon cost of build and recycling in all sectors, especially in the built environment. For example, encouraging the use of adaptation clause coverage and "build back better" (i.e. requiring low-carbon replacements for damaged goods or property), helping to drive decarbonisation of underwriting portfolios over time.
 - Working with clients and governments to address systemic risks and the lack of appropriate legislation or regulation to encourage new zero-carbon activities. For example, creating entirely new industries at scale, such as zero-carbon hydrogen supply chains, or developing carbon capture use and storage at scale. This can be delivered by a mix of policy-influencing activities at national or supranational level that drive outcomes ranging from public-private risk-sharing mechanisms, to creating new insurance products and services.
 - Aligned underwriting strategies with clients' net-zero plans at the individual firm level and with governments' nationally-determined contributions (NDCs) at sector level to support a responsible transition away from GHG-intensive activities. This is an area where insurance products (e.g. pensions, critical illness, other life and health protection products) can play a part in the evolution of social protection systems to support a just transition.



- **Neutralisation:** Residual GHG emissions that are not abated should be permanently removed from the atmosphere to achieve net zero. There are several technical approaches to deal with and finance this, developing an important area which has both benefits and drawbacks. These are well described in the Net-Zero Asset Owner Alliance's (NZAOA) report *The Net in Net Zero: The role of negative emissions in achieving climate alignment for asset owners*.³⁵ For underwriters, there are opportunities to support this by:
 - Developing an understanding of negative emissions technologies and their risks, especially the permanency of removal and designing new insurance products and approaches to managing those risks. This has a strong link to the quality of neutralisation projects that will underpin carbon markets.
 - Working with governments and clients to address specific risks relating to transport and storage of CO₂, in particular the risks related to storage leaks. This links to some abatement technologies, such as carbon capture and storage projects, where some pore space in geological storage reservoirs may be allocated to neutralisation technologies. Examples include direct air capture unit (DACCs) or through the capture of emissions used in the production and use of bioenergy (BECCS) or biomass (BiCRS).
 - For nature-based neutralisation approaches, underwriters should consider ways to protect existing carbon sinks, following approaches such as Reducing Emissions from Deforestation and Forest Degradation (REDD+), enhanced carbon sequestration in agricultural soils, and enhanced bio-sequestration techniques.
- **Compensation:** As with the NZAOA, the NZIA recognises that compensating for all unabated emissions on the path to net zero must be embedded in the real economy, but that these efforts must only ever be complementary and additional to net-zero strategies and decarbonisation efforts. The primary obligation of companies in the real economy is decarbonisation through abatement. Insurers, like asset owners, should not use carbon credits to meet their decarbonisation targets at portfolio level and should report any offsets separately.
 - There is a strong link between compensation (i.e. the financing of abatement and neutralisation mitigation tactics) and the risks that underpin these. The opportunities for underwriters to address these risks is already described in the two sections above on abatement and neutralisation.
 - There is a particularly important opportunity for underwriters, and the insurance industry overall, to work with bodies like the UN and International Emissions Trading Association (IETA), post the COP26 agreement on Article 6 of the Paris Agreement, on the quality of projects underpinning carbon markets. Insurance may be one of the best ways to help manage these compensation and abatement project risks, ensuring efficient carbon markets and an effective carbon price.

³⁵ Net-Zero Asset Owner Alliance (NZAOA) position paper (2021): *The Net in Net Zero: The role of negative emissions in achieving climate alignment for asset owners* unepfi.org/publications/the-role-of-negative-emissions-in-achieving-climate-alignment-for-asset-owners/



- **Engagement:** Engagement with policymakers, regulators and clients is one of the most important ways for insurers to drive change in the real world. The insights and dialogue that engagement delivers aid the development of insurance products and risk management services which support the net-zero transition pathways of organisations, industries and economies.
 - As part of client engagement, insurers, individually and in line with antitrust laws and regulations, can use taxonomies, net-zero scenarios and pathways to send risk-based signals on underwriting appetite, such as setting thresholds on insurance capacity.
 - Withdrawing insurance capacity can be a helpful tactic at the outset and in specific areas, where the risks of underwriting an asset, industry or client are outweighed by the climate risks of a specific transaction. An exclusionary approach (e.g. underwriting exclusions for GHG-intensive activities) can achieve short-term progress in pursuing net-zero goals for underwriting portfolios and can set a baseline for the credibility of an insurer's net-zero efforts. However, such an approach is not sufficient on its own, nor will it enable the scale of change required to achieve a net-zero global economy and the Paris Agreement goals. In this vein, net-zero efforts should be and are more about what is possible, not just about what is not.
 - At a governmental level, insurers working individually or through insurance associations, can influence the development of important policy measures that help set a carbon price, or that influence consumers to switch out of GHG-intensive activities. For example, reducing or changing fossil-fuel subsidies, or developing new building codes that mandate the use of low or zero-carbon steel, cement and glass.
 - Developing policy approaches with governments around neutralisation technologies and the development of voluntary carbon markets can establish carbon pricing other than through levy or taxation.

Beyond these potential insurance underwriting approaches and overarching principles to achieve net-zero goals, the NZIA has established a range of work streams to address key challenges and opportunities, namely: metrics, target setting, engagement, antitrust and competition laws, life and health insurance, and communications. These work streams are described in more detail below.



4.1 Metrics

As of this writing, there is no established metric available that measures GHG emissions associated to an insurance policy or a portfolio of policies. While this lack of an existing metric presents a challenge for the NZIA, the development of a standard approach for the industry is a definite opportunity. Most metrics are either absolute value or intensity.

Previous work conducted within the Chief Risk Officers (CRO) Forum proposed the application of the **Weighted Average Carbon intensity (WACI)** to insurance liabilities. An insurance portfolio's WACI is achieved by calculating the carbon intensity (Scope 1 + 2 emissions / USD revenue) for each insured or insured activity in a portfolio and calculating the weighted average by portfolio weight in terms of premium. One of the main benefits of using WACI (e.g. tons CO₂e / USD revenue) rather than an **absolute value** CO₂e attribution (e.g. tons CO₂e) as a main metric relates to addressing the issue of double counting.

Absolute metrics for associating carbon emissions in tons of CO₂e to an insurance portfolio would mean that each ton of CO₂e emitted by an activity should only be associated once, if the issue of double counting is to be avoided. An insurance activity or client however often needs several different types of insurance covers (e.g. engineering, property, casualty, workers' compensation), which makes such absolute value CO₂e attribution challenging. **The intensity metric** avoids the issue of double counting emissions in its reporting. It is implicit in the calculation to derive the intensity but does not attempt to assign responsibility for emissions to one individual party. Instead, it describes the characteristics of a portfolio relative to the scope of the calculation.

However, to set and track a net-zero target, an intensity metric cannot be used and this is why the PCAF-developed metric **will follow the principles of the GHG Protocol for an absolute emissions calculation**. PCAF's existing *Global GHG Accounting and Reporting Standard for the Financial Industry* is not based on an intensity approach. Instead, it accounts for absolute emissions associated to individual positions in an investment or loan portfolio. A metric designed to measure absolute emissions associated to an insurance policy needs an association factor that appropriately allocates an insured's GHG emissions to the insurance policy. The basis for the allocation is the crux of the PCAF work.

For either an intensity or absolute emissions calculation, inconsistent or limited data availability for the underlying insured or insured activity poses a key challenge. Additional challenges arise with complex and/or granular coverages that are unique. And the lack of standardised reporting of GHG emissions data will be a challenge for the application of both absolute and intensity-based metrics. GHG reference data for detailed industries across countries may mitigate the lack of measured and reported GHG data on an insured level in the short term, but lacks the longer-term view of how those emissions may develop in the future. This makes it difficult to understand and influence an individual insured's and insurer's efforts to drive a quicker and successful transformation to net zero.



The PCAF working group on insurance-associated emissions will need to develop, assess and decide on the option or options most suitable to measure GHG emissions in the insurance context. As mentioned above, the ability to have an agreed method to quantify the absolute amounts of GHG emissions associated to insurance coverage opens possibilities not just for net-zero target setting and accountability, but also for development of green insurance products and risk management services, targeted and effective engagement with clients, and clarity on the types of structural changes in the real economy that will have an impact.

Arguably, any metric developed by PCAF will require real economy GHG emissions data as the foundation, across the whole economy and not just for some sectors. There is a cascading effect as more financial institutions rely on this emissions data for their net-zero decisions. The available data will improve and broaden the scope of reported activities, which will benefit insurance clients as well. The absence of the data, as well as the absence of a metrics standard, keeps the insurance industry in the dark and impedes progress. This foundational work by the NZIA, PCAF, SBTi and other institutions moves the net-zero insurance agenda forward.

4.2 Target setting

There are multiple approaches that may be used to set targets, drawing upon the NZAOA Target-Setting Protocol and the EU's Sustainable Finance Taxonomy, such as:

- **Emissions reduction targets:** Targets can be set on the GHG emissions from an underwriting portfolio, either on absolute or intensity-based metrics. In order to report and compare emission volumes associated to insurance underwriting portfolios, an absolute emissions metric is needed. The methodological and data challenges are described in the metrics section above.
- **Portfolio coverage targets:** Targets could be set on the proportion of commercial clients that have set their own science-based targets, and the proportion of personal lines insurance that is written on "green assets" as defined by various taxonomies (e.g. EU Sustainable Finance Taxonomy). This has strong alignment with client engagement but does require consideration of client exclusion as a last resort.
- **Sub-portfolio coverage targets:** Targets which refer to the amount of insurance coverage for specific industry sectors. Similar to portfolio coverage targets, this has a strong alignment with client engagement and can encourage solution development for new technologies needed for the economic transition to net zero.
- **Engagement targets:** Targets set on the level of engagement achieved with the most GHG-intensive clients, attempting to work with clients to reduce their emissions. For commercial lines insurance business, there are communication channels through brokers and risk management advisers who can facilitate this engagement, even though the insurance buyers might not be the strategic decision-makers. However, on personal lines insurance, there is often less direct interaction with customers due to the intermediated nature of sales (except direct online transactions), and insurers will need to develop innovative ways to work with clients to reduce their GHG emissions.



- **“Insuring the transition” target:** Targets set on the amount of insurance (e.g. gross written premium) being sold to companies who would represent 1.5°C and net-zero aligned portfolios, who are aligned with a green taxonomy (e.g. EU Sustainable Finance Taxonomy), and/or who are responsible for driving the transition. As multiple taxonomies develop in different markets, insurers should think about how to bring alignment across these frameworks.

To have the widest possible impact, insurers could consider setting targets that cover all the approaches described above.

4.3 Engagement

The NZIA is still in relatively early stages and engaging with the right parties at the right time is going to be important to ensure its goals are met. Engagement will be broad, encompassing the insurance industry value chain, insurance industry initiatives and associations, other net-zero alliances in the financial sector, regulators and policymakers, broader industry, civil society and academia.

As the wider work of the NZIA develops, notably its metrics & targets work stream, there will be a need for the NZIA to consider how best to engage with the insurance industry value chain (e.g. clients, brokers, agents, insurers, reinsurers, investors, rating agencies). The scope and nature of that engagement will need to be developed in due course, including which part of the NZIA might best conduct it.

The NZIA engagement approach comprises two phases:

- **Awareness raising and relationship building:** The first phase will focus on reaching out to key stakeholders, sharing what the NZIA is doing, getting buy-in and understanding what others—particularly policymaking, regulatory and supervisory bodies—are doing in this space. Early buy-in is important. First, it will help the NZIA to address key considerations raised in this paper and explore its route to achieving net-zero insurance underwriting portfolios. Second, it will help the NZIA’s approach to developing metrics and targets gain support and become the basis of policy, regulatory and supervisory approaches. There are three principal aims:
 - Being recognised by public and private sector stakeholders as a global thought leader and credible industry partner in the transition to net zero
 - Educating public and private sector stakeholders on the meaning, implications and impacts of net-zero insurance
 - Fostering convergence between regulators, stakeholders and the industry on best practices to measure, manage and achieve net-zero insurance underwriting portfolios
- **Technical discussions:** As the NZIA’s work progresses it will move into the second phase. This will focus on presenting the more technical work of the NZIA. The purpose of this will be to promote NZIA ideas, approaches and proposals in relation to metrics and targets, and to achieve coherence and wider adoption across the industry by policymakers, regulators and other key stakeholders.



As with other NZIA activities, the NZIA will carry out the activities of its engagement work stream in accordance with applicable laws and regulations, including antitrust and competition laws and regulations.

4.4 Antitrust and competition laws

Government policies that have a positive environmental impact often require more than one company to make changes. This means that cooperation between companies is often essential for sustainability goals to be achieved. However, under the current laws and explanatory guidelines, it is not always clear whether cooperation between competitors may comply with antitrust and competition law ("antitrust law" henceforth for brevity) in different jurisdictions. Antitrust law is therefore sometimes seen as an obstacle to the cooperation needed to achieve sustainability objectives and progress. A key question for the NZIA is therefore how to implement cross-industry environmental initiatives while complying with antitrust laws and regulations. Because current guidance is unclear on key aspects and undergoing revision, it places the risk of self-assessment on the companies involved.

The founding members of the NZIA recognised early the importance of antitrust law. They have established clear guidelines to govern all NZIA interactions and have sought independent legal counsel who have advised the NZIA throughout.

Antitrust law in most jurisdictions was not drafted with climate change as the central focus, nor does it consider applicability when dealing with a global crisis such as climate change. In this context, the NZIA and its members have begun to engage with antitrust regulators in global jurisdictions on the impact of antitrust laws and regulations on the net-zero agenda and the benefits possible with industry cooperation and approaches such as open standard setting. The NZIA's role is to inform, educate and participate in various consultation processes and efforts to consider revised guidelines that promote net zero and other relevant sustainability goals.

Helpfully, many antitrust authorities are realising that they must ensure that antitrust law does not disincentivise companies from collaborating where it is clearly in support of worthy public policy objectives. The European Commission is currently carrying out a review of its horizontal guidelines, particularly to consider how sustainability objectives can be included in the antitrust law analysis of agreements. There have also been a number of national initiatives which aim to provide clarity to companies on when collaboration on environmental and sustainability issues is compatible with antitrust rules. In Europe, national antitrust authorities and the European Commission appear to be looking to publish more detailed guidance which will give comfort to companies seeking to cooperate in order to achieve national and EU-wide sustainability.

The NZIA aims to operate within the confines of antitrust law and seek guidance when appropriate.



4.5 Life and health Insurance

While the majority of the discussion above focuses on changes in the real economy and the required strategies to reduce GHG emissions, there is also a role to be played by individual consumers. The NZIA work stream for companies that write life and health insurance businesses will explore how net-zero insurance principles and approaches can be applied for real-world impact.

Recognising the difference in the insurer-policyholder relationship, the cumulative impact of individual policyholder actions on GHG emissions (e.g. lifestyle, diet, health and wellness), and the importance of life and health coverage generally will shape the outcomes of this work stream.

An additional and important consideration is for the insurance industry to play its role alongside governments in managing the risks of the just transition through support for social protection systems. Most of this burden will fall on governments, supporting workers in industries that will close and jobs or livelihoods that will be lost. But insurance also has a role to play, especially in preparing for healthcare funding, pension provision and a range of other risks that are typically covered by life and health protection products. The transition to net zero is likely to be a difficult and disruptive one and developing societal resilience to these changes will be an important contribution from the insurance industry.

4.6 Communications

The pivotal work laid out in this paper deserves and needs to be communicated effectively with key stakeholders. Insurance industry stakeholders interested in the work of the NZIA are many, making it important that efforts and outcomes are appropriately shared. Furthermore, the NZIA's efforts are one of various financial sub-sector alliances that form part of the broader, financial sector-wide work of GFANZ spanning lending, insurance and investment. The efficiency and effectiveness of all these net-zero alliances will be enhanced by clear and timely communications. Lastly, communications will be a cornerstone for effective engagement with the real economy and individual consumers.

The NZIA aims to provide regular updates on the progress of its activities through various means, including events, webinars, publications, press announcements and social media posts.



5. Key challenges and next steps

Since the launch of the NZIA in July 2021, significant progress has been made in defining and shaping what it means to be a net-zero insurer, developing the strategies, approaches and methodologies and setting out how the insurance industry can influence wider change. However, there are still many challenges that the NZIA must address in order to ensure that its commitments are credible, measurable and, most importantly, enable the real economy to achieve the overall goal of limiting global warming to 1.5°C. To start with, the degree of an already successful transformation to lower carbon emissions of an insured might not be necessarily reflected in a correlating lower underwriting risk. The latter, however, is the core responsibility of an insurer.

Reaching net zero requires a defined pathway aligned to targets that cover the entirety of an insurance underwriting portfolio. As part of its commitment, the NZIA will release a target-setting protocol within 18 months from the launch of the NZIA in July 2021 (i.e. by January 2023). Members then have six months to individually set emissions reduction targets in line with the protocol. As such, developing and piloting emissions measurement, approaches to associating emissions to insurance underwriting portfolios, and target setting methodologies are important foundational work not only for the NZIA, but for the insurance industry at large. Appropriate association of GHG emissions to insurance underwriting portfolios, availability and quality of data, and application of metrics to a meaningful portion of the underwriting portfolio are just a few of the key challenges which will be faced.

This is why the NZIA is working with PCAF, an organisation which has successfully addressed similar metrics-related issues, and which has produced the accounting standard for financed emissions applicable to investment and lending portfolios. This is also why the NZIA is working with the Science Based Targets Initiative (SBTi) in developing a target-setting protocol for insurance underwriting portfolios. In this regard, SBTi is currently developing a "Financial Net-Zero Standard" which would encompass lending, insurance and investment portfolios, including recommendations and qualitative and quantitative criteria to assess financial net-zero targets.

Reaching net zero requires a 1.5°C-aligned transition of the real economy, supported by governments and industry. The NZIA's various work streams are designed to not leave this to chance. The NZIA will contribute to these efforts alongside GFANZ and other sub-sector net-zero alliances.



And this must be done in a socially just manner, minimising insurance protection gaps for those most vulnerable to climate change impacts, rewarding and not penalising those with high transition ambition, all on the timeline needed to achieve the overall net-zero goal.

The role of insurance in a just transition to net zero

It has been recognised that the shift to a resilient net-zero economy will likely increase prosperity and could be a net driver of job creation. However, there will be transitional challenges for workers, communities, cities and countries while this shift takes place. To address this, insurance strategies dealing with climate change must consider the social consequences that a rapid net-zero transition might cause, while ensuring that it is inclusive and that no one is left behind—a core principle of the UN Sustainable Development Goals. The concept of a just transition³⁶ comes from combining climate action with social inclusion.

Implementing a just transition does not mean slowing down the path to a net-zero economy, but incorporating social risk management related to workers and local communities into the insurance activities associated with implementing the strategies stemming from the Paris Agreement. If not managed, unemployment, community discontent and lack of labour skills could slow down and even halt the net-zero transition process.

Insurers, especially life and health insurers, through their protection, pension, savings and health propositions, provide an important pillar of social protection systems. Obviously, these vary from country to country depending on the political expectations of electorates, the social protection systems put in place by governments, and the laws and regulations of different jurisdictions that govern them. On their own, life and health insurance policies are not sufficient to manage all the risks that come from the transition to net zero, so governments will need to play their part in managing these risks.

Given the long-term consequences of the COVID-19 pandemic and the effect it will have on the world's ability to address the global risk of climate action failure, such as reducing the attention and focus needed for governments to take effective and quick climate action, it is hard to see how any transition of this scale can be anything but disruptive and disorderly.³⁷ And if green-washing and stalling on climate commitments delay the net-zero transition, then there will be even more disruption as more radical policies will be needed to decarbonise and achieve the net-zero transition goals.

In this context, it becomes even more important for insurers to work with governments to ensure that people have access to social protection through life and health insurance products that complement and support other social protection systems offered by governments to their citizens. This could pave the way for a greater opportunity for the insurance industry to play a leading role in insuring a net-zero transition that is just, inclusive, resilient and sustainable.

36 Just Transition Centre (2017): Just transition: A report for the OECD oecd.org/environment/cc/g20-climate/collapsecontents/Just-Transition-Centre-report-just-transition.pdf

37 World Economic Forum (2022): The global risks report 2022, 17th edition weforum.org/reports/global-risks-report-2022



Glossary

Abatement: Elimination of sources of emissions within a company's value chain (e.g. some types of CCUS scheme). During a company's transition to net zero, compensation and neutralisation measures may supplement, but not substitute, reducing value-chain emissions in line with science. At the time that net zero is reached, emissions that are not feasible for society to abate may be neutralised with equivalent measure of carbon dioxide removals (CDR).

Anthropogenic: Anthropogenic effects, processes, objects, or materials are those that are derived from human activities. In the context of climate change and this paper it is used to refer to warming from anthropogenic greenhouse gas emissions from the pre-industrial period to the present that will persist for centuries to millennia. Anthropogenic climate warming will continue to cause further long-term changes in the climate system, such as sea level rise, with other associated impacts.

Avoided emissions: Avoided emissions are emission reductions that occur outside of a product's life cycle or value chain, but as a result of the use of that product.³⁸ Avoided emissions refer to emissions that have been avoided thanks to activities such as conservation and protecting forests from deforestation, or the development of low-carbon technology/product decreasing the amount of GHG emitted for the same service. Examples of avoided emissions could be some types of products (i.e. goods and services) that avoid emissions including low-temperature detergents, fuel-saving tyres, energy-efficient ball bearings, and teleconferencing services. Other terms used to describe avoided emissions include, but are not limited to, climate-positive and net-positive accounting.

Buy-side and sell-side: Buy-side firms in financial markets are financial institutions that purchase investment securities for their own accounts, or for investors, with the goal of generating a return. Buy-side firms typically include insurance firms, mutual funds, hedge funds and pension funds. Sell-side firms create, promote and sell products such as stocks, bonds, foreign exchange, and other financial instruments, including private placements of debt and equity, to the buy-side of the financial industry. Sell-side firms are typically investment banks and corporate finance advisors.

Carbon capture, use and storage (CCUS): CCUS is an abatement method of avoiding carbon dioxide emissions from industrial processes by capturing and using or storing the carbon dioxide, thereby preventing it from being released into the atmosphere

³⁸ Greenhouse Gas Protocol (2014): GHG Protocol Standard on Quantifying and Avoided Emissions: Summary of online survey results ghgprotocol.org/sites/default/files/ghgp/Avoided%20emissions%20survey%20report_final%20draft.pdf



Carbon credit: An emissions unit that is issued by a carbon crediting programme and represents an emission reduction or removal of greenhouse gases. Carbon credits are uniquely serialised, issued, tracked, and cancelled by means of an electronic registry.³⁹ The term can also be used as an umbrella term for voluntary offsets and various forms of compliance carbon credit, such as the EU Allowance (EUA) trading units under the EU Emissions Trading Scheme (ETS).

Carbon dioxide removal (CDR): The IPCC defines CDR as “anthropogenic activities removing CO₂ from the atmosphere and durably storing it in geological, terrestrial, or ocean reservoirs, or in products.” Also known as negative emissions.

Carbon offset (see also **carbon credit**): A carbon offset is a reduction in emissions of carbon dioxide or other greenhouse gases made in order to compensate for emissions made elsewhere.⁴⁰ The term usually refers to voluntary carbon markets, not compliance-driven regimes like cap-and-trade schemes.

Compensation: Measurable climate mitigation outcomes resulting from actions outside of the value chain of a company, compensating for emissions that remain unabated within the value chain of a company.⁴¹

Decarbonisation: Measures that prevent the release of CO₂ emissions associated with electricity, industry and transport.

GHG emissions reduction targets: Goals set by an organisation or political actor which aim to reduce the organisation’s or political actor’s direct or indirect emissions by a specified amount.

Greenwashing: Greenwashing is defined as the overstating of the environmentally or socially conscious attributes of a firm’s offering and the understating of the negative attributes for the firm’s benefit.

Just transition: A just transition involves maximising the social and economic opportunities of climate action, while minimising and carefully managing any challenges, including through effective social dialogue among all groups impacted, and respect for fundamental labour principles and rights.

Mitigation: The mechanism by which a corporation reduces its impact on the climate or contributes to societal transition to net zero. This includes abatement, neutralisation and compensation.

³⁹ World Wildlife Fund (WWF-US), Environmental Defense Fund (EDF) and Oeko-Institut (2020): What makes a high-quality carbon credit? Phase 1 of the “Carbon Credit Guidance for Buyers” project: Definition of criteria for assessing the quality of carbon credits c402277.ssl.cf1.rackcdn.com/publications/1342/files/original/What_Makes_a_High-quality_Carbon_Credit.pdf?1591405169

⁴⁰ What is a carbon offset? Carbon Offset Guide of the Carbon Offset Research and Education (CORE) initiative of the Stockholm Environment Institute (SEI) and Greenhouse Gas Management Institute (GHGMI) offsetguide.org/

⁴¹ Cross Sector Biodiversity Initiative (2015): A cross-sector guide for implementing the mitigation hierarchy csbi.org.uk/wp-content/uploads/2017/10/CSBI-Mitigation-Hierarchy-Guide.pdf



Nationally determined contributions (NDCs): NDCs are at the heart of the Paris Agreement and the achievement of these long-term goals. NDCs embody efforts by each country to reduce national emissions and adapt to the impacts of climate change. The Paris Agreement (Article 4, paragraph 2) requires each Party to prepare, communicate and maintain successive nationally determined contributions (NDCs) that it intends to achieve. Parties shall pursue domestic mitigation measures with the aim of achieving the objectives of such contributions.

Neutralisation: Halting the accumulation of emissions in the atmosphere. Neutralisation of unabated emissions can only occur through negative emissions.

Real economy: A broad definition of the “real” economy involves the production, transportation, and selling of goods and services—as opposed to the exchange of paper assets through the financial services sector. A narrower definition would focus on material goods only, such as the industrial sectors, commerce, agriculture, transportation and construction. The real economy, directly or indirectly, is the foundation of most economies.

Reduction: Reducing an organisation’s or political actor’s direct or indirect emissions (see also **GHG emissions reduction targets**).

Residual emissions: GHG emissions that remain unabated in scenarios that limit warming to 1.5°C with low/no overshoot.

Value-chain emissions: A company’s scope 1, 2, and 3 emissions as defined by the GHG Protocol accounting standard.



Acronyms & abbreviations

AFOLU	Agriculture, forestry and other land use
BECCS	Bioenergy with carbon capture and storage
BiCRS	Biomass carbon removal and storage
CCUS	Carbon capture use and storage
CDP	Formerly known as the Carbon Disclosure Project
CDR	Carbon dioxide removal
CO_{2e}	Carbon dioxide equivalent
DACCS	Direct air carbon capture and sequestration
FPIC	Free, prior and informed consent
GFANZ	Glasgow Financial Alliance for Net Zero
GHG	Greenhouse gases
GWP	Gross written premium
IPCC	Intergovernmental Panel on Climate Change
NDCs	Nationally determined contributions
NZAOA	Net-Zero Asset Owner Alliance
NZIA	Net-Zero Insurance Alliance
PCAF	Partnership for Carbon Accounting Financials
PSI	UN Principles for Sustainable Insurance
REDD+	Reducing emissions from deforestation and forest degradation, and fostering conservation, sustainable management of forests, and enhancement of forest carbon stocks
SBTi	Science Based Targets Initiative
WACI	Weighted average carbon intensity



About UN Environment Programme's Principles for Sustainable Insurance Initiative

Endorsed by the UN Secretary-General and insurance industry CEOs, the Principles for Sustainable Insurance (PSI) serve as a global framework for the insurance industry to address environmental, social and governance (ESG) risks and opportunities—and a global initiative to strengthen the insurance industry's contribution as risk managers, insurers and investors to building resilient, inclusive and sustainable communities and economies on a healthy planet. Developed by UN Environment Programme's Finance Initiative, the PSI was launched at the 2012 UN Conference on Sustainable Development (Rio+20) and has led to the largest collaborative initiative between the UN and the insurance industry. As of March 2022, more than 200 organisations have joined the PSI, including insurers representing about one-third of world premium and USD 15 trillion in assets under management, and the most extensive global network of insurance and stakeholder organisations committed to addressing sustainability challenges. The PSI also hosts the Net-Zero Insurance Alliance and the Sustainable Insurance Facility of the Vulnerable Twenty Group of Finance Ministers (V20).

Learn more at:

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