

Protecting Blue Carbon Projects Through Innovative Parametric Insurance

Parametric Insurance can provide mangrove communities with a swift financial payout when natural disasters hit communities or coastal ecosystems, e.g., following a hurricane of a particular category. Some of the benefits of this instrument include community coverage for business interruption losses, such as ecotourism activities, and the necessary funds to prevent and limit further ecosystem damage.

In this case study, the insurance premium is directly paid by the community, the Ejido San Crisanto, through the funds received from the carbon credit sales that are generated annually under the Voluntary Carbon Market. This not only provides the community with consistent and sustainable funds to protect its most vital natural resources but also provides quality to the carbon credit buyer that the ecosystem is protected against the threat of disastrous natural events, such as hurricanes.

The project supports the core objectives of the [Sustainable Blue Economy Finance Principles](#) by leveraging insurance tools to protect mangrove ecosystems and the livelihoods and communities that rely on them.

Key facts:

Blue economy sectors targeted:

Marine and coastal tourism, Coastal infrastructure

Project: Protecting Blue Carbon Projects Through Innovative Parametric Insurance

Timeline of the project: Yearly policy renewed three times since 2023

Geography: Yucatán, Mexico

Key words: climate change mitigation; climate change resilience; biodiversity; coastal and marine habitats; inclusive livelihoods; risks and opportunities; blue carbon

Who?

ClimateSeed (investor and distributor of the blue carbon credits), AXA Climate (insurance designer), AXA Seguros México (policy issuer), Ejido San Crisanto (community and policyholder).

Where?

Yucatán, Mexico

What?

[The San Crisanto Mangrove Conservation and Restoration Project](#) is the first blue carbon project in Mexico certified under Climate Action Reserve and financed by ClimateSeed. The project undertakes numerous activities to preserve its ecosystem of 800 hectares of mangrove forest and monitor its biodiversity. As a result of the carbon project, the community sustainably manages its natural resources, builds community capacity, and has improved the delivery of healthcare and educational services. The primary focus of the project is cleaning and maintaining local channels and cenotes (natural sinkholes) to prevent siltation, which has detrimental effects on the health of these local ecosystems.

Given its coastal position in the Caribbean Hurricane Zone (specifically in the Yucatán

Peninsula), the community is highly vulnerable to hurricanes. Historically, the community has suffered from various hurricanes, including Hurricane Gilbert in 1988, along with Roxanne and Opal in 1995, which struck the same region within two weeks of each other. However, the most notable hurricane struck in 2002, Hurricane Isidore, which destroyed 99% of the community's mangroves.

Aiming to strengthen the resilience of this ecosystem and the local communities who rely on it, AXA Climate, in partnership with ClimateSeed and AXA Seguros, developed a parametric insurance product specific to the project's requirements.

How does it work?

In the event that a hurricane passes through the insured area, a pay-out of up to USD 100,000 can be triggered in just a few days. The amount varies based on wind strength and the hurricane's proximity to the core of the protected area.

Compensation will be sent straight to the policyholder, in this case, the local community - Ejido San Crisanto, to support repair efforts following the damage. This process aids in the regeneration of a thriving ecosystem, while also ensuring the continued sustainability of the associated blue carbon credits.

The model is financially sustainable and scalable and offers a path forward for coastal communities around the world.

Looking back...

"This instance of inter-company collaboration between AXA Climate, AXA Seguros México, and ClimateSeed represents a great example of synergy", states **Antoine Denoix, CEO of AXA Climate**. "With this initial parametric insurance guarantee hinging on the restoration of mangrove forests, we're taking an innovative step to serve local communities whose survival is intrinsically linked to these forests."

Sébastien Nunes, Chief Executive of ClimateSeed, "Since 2020, ClimateSeed has been a partner of the San Crisanto Foundation, to which it has provided its support through providing the necessary financing for the project. Thanks to the collaboration with AXA Climate and AXA Seguros Mexico, our partnership has grown and will enable the Foundation to further overcome the financial obstacles and continue with its commitment to the conservation and restoration of mangrove forests."