



United Nations Environment Programme

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PROGRAMME DES NATIONS UNIES POUR L'ENVIRONNEMENT • PROGRAMA DE LAS NACIONES UNIDAS PARA EL MEDIO AMBIENTE
ПРОГРАММА ОРГАНИЗАЦИИ ОБЪЕДИНЕННЫХ НАЦИЙ ПО ОКРУЖАЮЩЕЙ СРЕДЕ

Finance Initiatives

Innovative financing for sustainability



Dow Jones & Reuters

Climate change costs seen at \$150 bln a year-UN report.

By Simon Challis, European Insurance Correspondent

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LONDON, Oct 7 (Reuters) - More frequent and more devastating storms caused by climate change could cost \$150 billion a year within the next ten years, possibly bankrupting financial services firms, a United Nations-backed report warned on Monday.

"The increasing frequency of severe climatic events...has the potential to stress insurers, reinsurers and banks to the point of impaired viability or even insolvency," the report said.

The report said a political framework for action on climate stability is essential, but said the Kyoto Protocol, under which many industrial nations except the United States committed to curb greenhouse gas emissions by 2012 does not go far enough.

Written on behalf of the UN Environment Programme's (UNEP) finance initiative, the report said financial institutions could deliver market solutions to climate change, through carbon emissions trading and lower insurance premiums for cleaner companies.

"A pro-active stance by financial institutions will help to reduce the threats they face from climate change while also providing opportunities," the report said.

Worldwide economic losses from natural disasters appear to be doubling every ten years, the report said, and called for action to decrease the emission of greenhouse gases, particularly carbon.

LITTLE COMMITMENT

Although they are directly at risk, the reaction of financial services firms to the problem of climate change has so far been patchy, the report said, while governments have shown little commitment to tackling the problem.

The report said that while climate change is widely recognised as being a threat by insurers and reinsurers, their strategies towards it have been mixed.

Very few insurers, for example, factor in climate change-related risks into their insurance premiums, the report said.

In the commercial banking industry it said there appeared to be little awareness of the issue among senior executives, though some companies have seized the opportunity to take the lead in greenhouse gas credit trading and energy efficient loans.

Fund managers do not currently regard climate change as an investment risk though socially-

responsible fund managers consider climate change when choosing their investments. But the criteria used tend to be very crude, the report said.

The report called on financial services companies to raise awareness of the problem of climate change and to lead by example in corporate environmental management. They should also provide products and services that support adaptation and mitigation of climate change.

It said governments should commit to emissions reductions measures that put a price on carbon and stimulate demand for products in the emissions trading market.

The report was written by Innovest Strategic Value Advisors, a U.S.-based investment research firm specialising in environmental and social issues, on behalf of the UN Environment Programme's Finance Initiatives' Climate Change Working Group.

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