



UNEP **Finance Initiatives**

Innovative financing for sustainability

Supporting the Kyoto Process - Activities since COP 9

Thomas Loster - Munich Reinsurance Company

UNEP FI Side Event
Milan, 10 December 2003

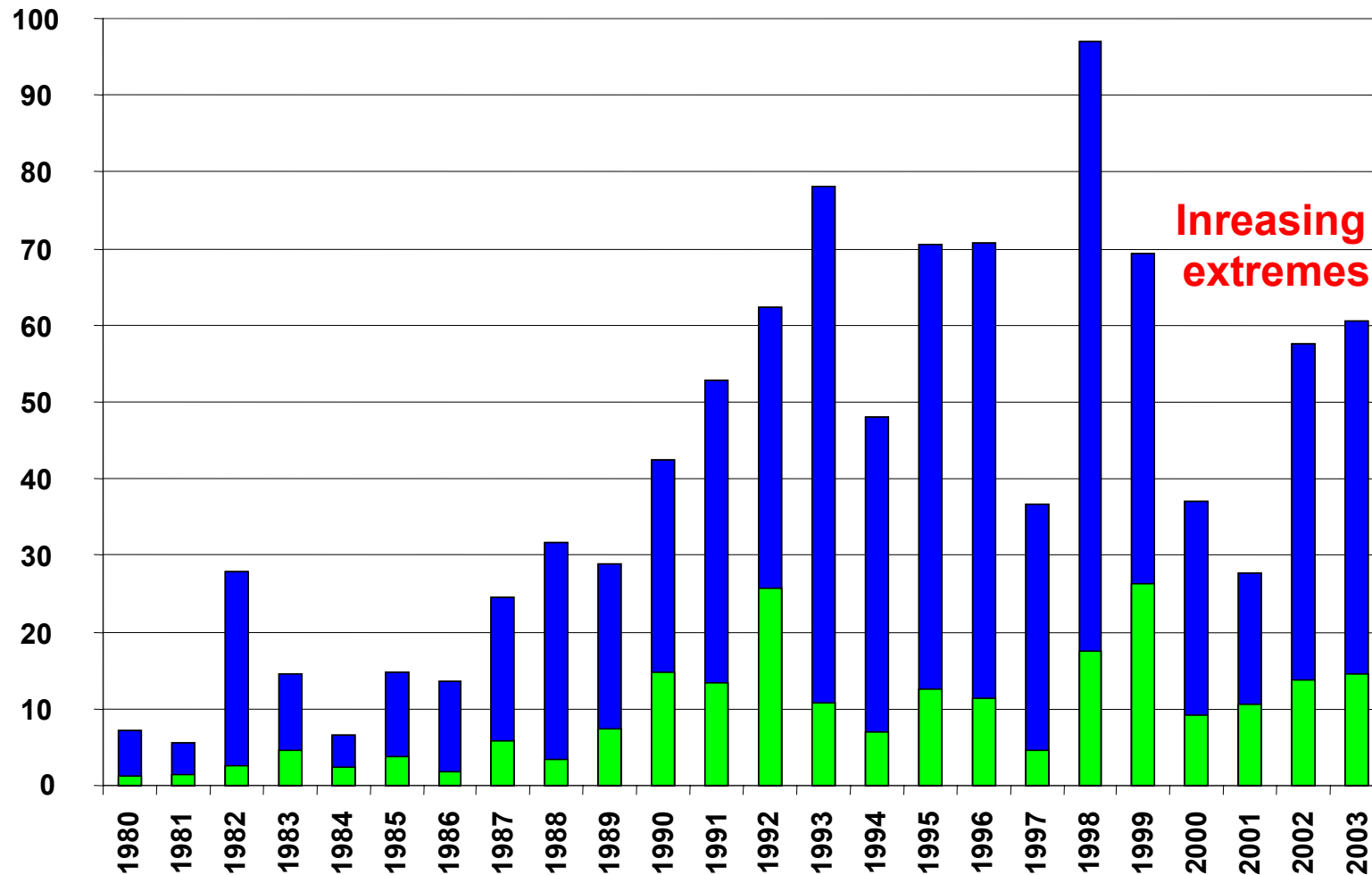




Münchener Rück
Munich Re Group

Weather related natural catastrophes 1980 - 2003

Munich Re

US\$ bn



 Economic losses (original values)
 of which insured losses (original values)

Great Weather Related Natural Disasters 1950 - 2002

Decade comparison

	Decade 1950-1959	Decade 1960-1969	Decade 1970-1979	Decade 1980-1989	Decade 1990-1999	last 10 1993-2002	Factor 80s : 60s	Factor last 10: 60s
Number	13	16	29	44	74	58	2.8	3.6
Economic losses	41.1	54.0	81.5	128.4	432.2	333.7	2.4	6.2
Insured losses	0/unknown	6.0	11.9	23.6	99.7	60.1	3.9	10.0

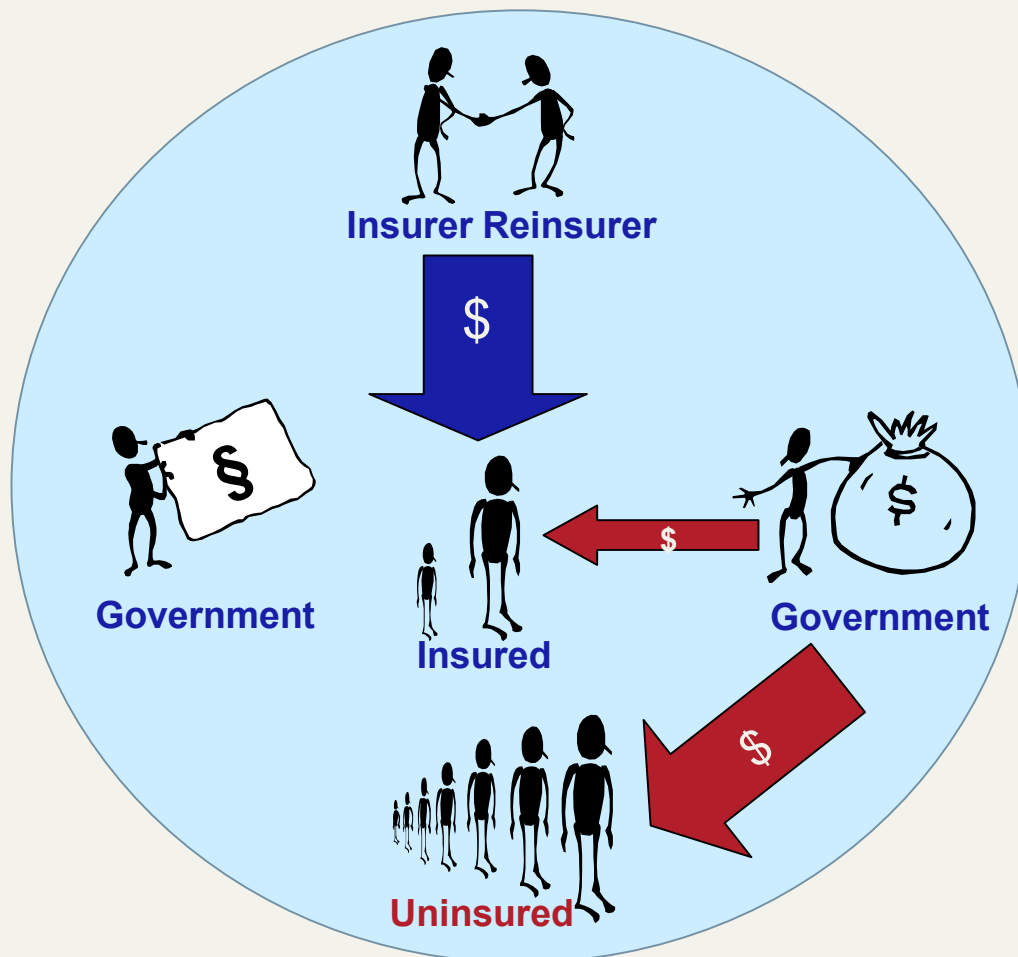
Losses in US\$ billion - 2002 values

MRNatCatSERVICE

As of January 30, 2003

© 2003 Geo Risks Research Dept., Munich Re

Worldwide Weather Disasters and the Carriers of Burden



Global Solutions only in Public Private Partnerships (PPP)

The climate changes have significant impacts on the insurance industry

- Increase in weather variability
- Poorer claims experience
- New exposures
- More frequent and larger natural disasters
- Greater claims potential
- New extreme values in certain regions
- Lagging premium adjustment
- Rising demand for cover of natural hazards
- New markets, new clients

Kyoto Mechanisms and the Financial Sector

Emissions Trading will be implemented

- Europe 2005
- globally (with or without the Kyoto protocol ?)

Finance Service products include

- Portfolio management
- Trading (spot and derivatives markets)
- Adoption of existing insurance products (e.g. Business Interruption)
- Delivery guarantees
- Consultancy works (e.g. market risk profiles, ratings)
- other

Uncertainties

- How will the markets develop? (size, coverage/players)
- Will affected companies be prepared early enough?
- Key role of Russia?

Kyoto Mechanisms and the Financial Sector

CDMs and JIs

Finance Service products include

- traditional products (banks): project finance services
- new products (banks): carbon funds (portfolio management), trading derivatives
- traditional products (insurance): marine, construction, business interruption etc.
- new products (insurance): Kyoto BI (Kyoto target non achievement insurance)
- other

Still many uncertainties, e.g.

- Framework (Kyoto framework not yet completed)
- Political and economic stability (trading and legal framework)

UNEP FI CCWG Achievements 2003

Awareness Rising

- Translation of CEO Briefing to J, G, F, (S))
- Emissions Trading Paper No. 1 (more to come)

Dialogue

- steps towards politics
- UNFCCC insurance workshops in Bonn (June 2003)
- UNFCCC secretariat communication (September 2003)

Strengthening partnerships

Carbon Disclosure Project

e.g. NGO's

Other work within UNEP FI

(e.g. Tokyo Round Table, WSSD Report Series: Finance and insurance as a partner for sustainable development)

UNEP FI CCWG directory

Next steps (2004):

- Conference Renewables Bonn 2004
- Position paper No. 2
- Sustainable Energy Financial Initiative(SEFI)

- 1.Rationale for renewable energies: [Making the case for renewable energies - advantages and benefits](#)
- 2.Targets: [The rationale for targets](#)
- 3.National policy instruments: [Learning from variety - time to concentrate on success](#)
- 4.Level playing field: [Levelling the playing field for renewable energies](#)
- 5.Financing renewable energies: [Mobilising finance for renewable energies](#)
- 6.Clean development mechanism and joint implementation: [New instruments for financing renewable energy technologies](#)
- 7.Research and development: [R&D - challenges for sustainable development](#)
- 8.Capacity development: [Developing capacity for renewable energy](#)
- 9.International institutional arrangements: [Bundling the forces - but how?](#)
- 10.Potentials and demands: [Opening up the potentials and promoting new applications](#)
- 11.Traditional use of biomass: [Biomass - the big energy potential and the challenge of sustainable use](#)
- 12.Gender: [Gender equity and renewable energies](#)