

Insurance proposals stay in UNFCCC draft

Loss and damage mechanism remains in adaptation text after latest round of talks

Scott Vincent lundi, 14 juin 2010

INSURANCE proposals emerged unscathed in the draft adaptation text produced following the latest round of United Nations (UN) climate talks, despite renewed concerns from industrialised nations, which believe an international insurance mechanism has no place in climate-adaptation proposals.

Following two weeks of meetings in Bonn, the former German capital, proposals for a loss and damage mechanism, which survived last December's Copenhagen meeting despite opposition from a number of industrialised nations, remain in the text put forward by the UN's adaptation working group.

The text will now be taken to the next round of negotiating talks on the road to this December's meeting in Cancun.

But opposition from some industrialised nations remains, with representatives from New Zealand questioning the proposals at the latest round of UN Framework Convention on Climate Change (UNFCCC) discussions.

The central argument against the inclusion of an insurance mechanism hinges on whether individual events can be attributed to climate change.

Without single weather events being attributed to climate change, New Zealand questioned why this loss and damage should be addressed through an international climate mechanism under the UNFCCC.

The US, Canada and Norway are also believed to be opposed to the inclusion of an insurance mechanism within a climate-adaptation agreement for this reason.

Despite the objections, those backing insurance mechanisms gave a strong showing in Bonn.

The Alliance of Small Island States (Aosis) presented its proposals for an insurance mechanism at a side-event hosted by Switzerland at the latest talks.

In a further indication of the prominence insurance is gaining within the adaptation discussions, David Bresch, Swiss Re's head of sustainability and emerging risk management, and Andreas Spiegel, the reinsurer's senior climate change adviser, were working with the Swiss delegation in Bonn.

The Munich Climate Insurance Initiative (MCII), which was initiated by Munich Re in 2005 as a not-for-profit mechanism to explore the role insurance solutions can play in adapting to climate change, also hosted its own side-event in Bonn.

While the presentations were well attended by negotiating parties, informal talks during the last two weeks of meetings have been locked in a “chicken and egg dilemma” with parties in the discussions reluctant to agree to proposals until they know what the mechanisms will look like.

Koko Warner, a representative of MCII at the discussions, told *Insurance Day*: “The industrialised countries show concern that they are being asked to say ‘yes’ to an international mechanism before knowing what it would look like, and the developing countries, especially Aosis, have expressed concern industrialised countries are saying ‘no’ before even engaging in a discussion on what loss reduction and insurance alternatives might even look like.

“Many parties have said what their positions are. They are asking for clarification about feasibility and design questions. This signals they are looking at insurance very seriously.

“Aosis really signalled a desire for discussion about different alternatives. They’ve done a lot of homework and talked a lot with the private sector,” she said.

Question marks also remain on how adaptation will be financed given continued uncertainty in the economic environment.

While pledges were made as part of the Copenhagen Accord agreed in December, there is not yet a functioning and transparent official reporting system in place on pledging, delivery and use of finance.

Sven Hamerling, a representative of non-governmental organisation Germanwatch, which has acted as the focal point of financing discussions during the climate talks, told *Insurance Day*: “No-one has formally stepped back from the pledges they made in Copenhagen. Most governments are still expected to look to see how they can creatively come up with funds.

“But there is still a risk the level of new and additional money needed will not be forthcoming.”

Halfway to Cancún and real work begins

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THE CONCLUSION of the Bonn climate talks marks the half-way point on the road to Cancún (pictured), where it is hoped a decisive and binding agreement on climate-change mitigation and adaptation can be reached.

Organisations developing loss and damage mechanisms still hope these will become part of any agreement reached in Mexico in December. Proposals to create some form of insurance mechanism as part of any adaptation agreement have survived a series of talks, despite opposition from some parties.

Last December's climate meeting in Copenhagen was unprecedented in terms of international collaboration on the issue. Never before had so many senior parliamentary figures from across the world met to talk about the creation of international agreements on how to tackle the problem.

While these talks were only six months ago, the intervening period has seen a shift in political stance and while it may be an overstatement to suggest an era of protectionism is upon us, there are signs one could be on its way.

The escalating row between the US and the UK about BP's responsibilities in the Deepwater Horizon disaster reflects how politicians are responding to public demands to defend their nations. The cosy relationship between the US and UK of the past decade suddenly looks somewhat uneasy.

The UK and US both played a significant role in the Copenhagen talks and the meetings before them with pledges of finance. These pledges are central to the future climate talks, as whatever adaptation measures are proposed, there needs to be a means of funding them.

For insurance mechanisms, there is potential for at least some funding to come from the industry if mechanisms are created as public-private partnerships. The sheer number of pilot schemes in 2010 suggests there is interest from the industry in participating. The real challenge for the industry is making these pilot schemes profitable. In this sense, the schemes are still unproven.

Insurance mechanisms are only one part of the proposals for adaptation and will not succeed without a strong disaster risk-management framework being created in unison. This will depend on finance.

There was no indication at the Bonn talks of a backtrack on pledges of finance made last year. But as fiscal pressures continue to mount and public demands for money to be spent at home rather than on international development intensify, the action of governments in maintaining their country's previous financial pledges will provide the real test of just how committed to climate change action they are.