



# Adaptation and Risk in the UNFCCC process

Risk management and insurance solutions in face of climate change:  
The way forward in Poznan and Copenhagen, 30 October 2008

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# Overview

- Risk management and insurance in the larger adaptation context
  - Historically in the Convention process...
  - Subsidiary Body for Implementation (SBI)
  - Subsidiary Body for Scientific and Technological Advice (SBSTA)
  - The Bali Action Plan
- Possible architecture on insurance/risk management in adaptation deliberations
  - Views of Parties and organizations on risk/disaster management and on risk sharing and transfer



# Adaptation in the Convention 1

- **“All Parties**, taking into account their common but differentiated responsibilities and their specific national and regional development priorities, objectives and circumstances, **shall: Formulate, implement, publish and regularly update national and, where appropriate, regional programmes containing** measures to mitigate climate change by addressing anthropogenic emissions by sources and removals by sinks of all greenhouse gases not controlled by the Montreal Protocol, and **measures to facilitate adequate adaptation to climate change”**  
*(Article 4 paragraph 1 (b))*
- **Parties shall give full consideration to what actions are necessary under the Convention, including actions related to funding, insurance and the transfer of technology, to meet the specific needs and concerns of developing country Parties arising from the adverse effects of climate change**  
*(Article 4 paragraph 8)*
- The developed country Parties and other developed **Parties included in Annex II shall also assist** the developing country Parties that are particularly vulnerable to the adverse effects of climate change **in meeting costs of adaptation to those adverse effects**  
*(Article 4 paragraph 4)*



# Adaptation in the Convention 2

- Article 3.14 of the Protocol of Kyoto
  - Article 3.14 stipulates that each Annex I Party shall strive to implement its reduction commitments in such a way as to minimize adverse social, environmental and economic impacts on developing country Parties.
  - Among the issues to be considered shall be the establishment of funding, **insurance** and transfer of technology.



# Insurance and risk assessment workshops

To facilitate the implementation of Art. 4.8 and 4.9 of the Convention, workshop on Insurance and risk assessment was held, 12-15 May 2003, Bonn

- Topics covered:
  - insurance and risk assessment in the context of climate change and extreme weather events,
  - insurance-related actions to address the specific needs and concerns of developing country Parties arising from the adverse effects of climate change and from the impact of the implementation of response measures.
- Discussions covered general issues relating to
  - the role of private insurers in managing natural disasters and climate change risk,
  - national and international efforts to manage and insure against such risks, as well as specific issues relating to existing risk management schemes, risk assessment methodologies and uncertainties,
  - risk-transfer instruments in the context of the adverse effects of climate change and of the impact of the implementation of response measures. Participants also identified possible areas for future consideration.
- Report on the workshop: FCCC/SBI/2003/11



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# Complementary tracks on adaptation and risk under the Convention 1

## Subsidiary Body for Implementation (SBI)

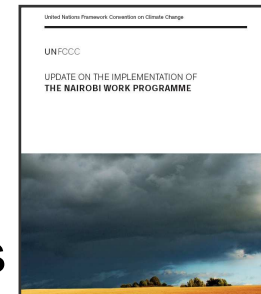
- Decision 1/CP.10 Buenos Aires programme of work on adaptation
  - supports furthering information and methodologies, implementing concrete adaptation activities, and transferring adaptation technologies, including:
    - An expert meeting for SIDS to reflect priorities of that group (in the Caribbean and Pacific, 2007)
    - Implementing actions through building capacity for preventive measures, planning, preparedness and management of disasters relating to climate change (Para 5 (b) (iv))
      - SB 28 (June 2008): priority actions to address the adverse effects of climate change



# Complementary tracks on adaptation and risk under the Convention 2

## Subsidiary Body for Scientific and Technological Advice (SBSTA)

- Nairobi work programme on impacts, vulnerability and adaptation to climate change (NWP)
  - Assist Parties, in particular developing countries;
    - Improve understanding and assessment of IVA
    - Make informed decisions on practical adaptation actions
  - Relevant areas of work
    - Climate-related risks and extreme events
      - Workshop in 2007
      - Technical paper on physical and socio-economic trends in climate-related risks and extreme trends in the context of their implications for the sustainable development before Poznan
    - Adaptation planning and practices
      - Workshop in 2007
      - Technical paper on integrating practices, tools and systems for climate risk assessment and management and disaster risk reduction strategies into national policies and programmes before Poznan
      - Workshop on the above theme in early 2009



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# Complementary tracks on adaptation and risk under the Convention 3

## Ad-hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA)

- Decision 1/CP.13: The Bali Action Plan
  - A comprehensive process to enable full, effective and sustained implementation of the Convention through long-term cooperative action, now, up to and beyond 2012
- Enhanced action on Adaptation, including consideration of:
  - Risk management and risk reduction strategies, including risk sharing and transfer mechanisms such as insurance (FCCC/AWGLCA/20076.Add1, paragraph I (c)(ii))
  - Disaster reduction strategies and means to address loss and damage associated with climate change impacts in developing countries that are particularly vulnerable to the adverse effects of climate change (FCCC/AWGLCA/20076.Add1, paragraph I (c)(iii))



# 4 components in adaptation deliberations under the Bali Action Plan

- National Planning for Adaptation
  - should be guided by rigorous impact, vulnerability and adaptation assessments
  - Integration of adaptation into national and sectoral policy
- Streamlining and scaling up financial and technological support
  - adequate and predictable financial and technological support
  - Simplifying access to, and coherence across sources of support,
- Enhancing knowledge sharing
  - Improved knowledge sharing through regional centres, networks, databases and expertise sharing at all levels
- Institutional frameworks for adaptation
  - Should remain under the umbrella of the UNFCCC
  - Should be coordinated and synergized at all levels, and linkages should be enhanced



# Possible architecture on insurance in adaptation deliberations

- Ideas on the table so far on...
  - Risk/disaster management
  - Risk sharing and transfer



Parties'

## Views on adaptation planning and implementation

- Adaptation interventions should reduce vulnerability and/or enhance adaptive capacity to climate risk (India, adaptation workshop), including through risk reduction strategies (Argentina, MISC.5);
- Mainstreaming for climate change and mainstreaming for disaster risk reduction can be mutually reinforcing, and building resilience to climate change often also enhances resilience to disasters (Indonesia, MISC.1; Australia, MISC.2/Add.1);
- Governments can incentivize stakeholders in the public and private sector to engage in adaptation actions by putting in place the right enabling environments to reduce the operational risk to the private sector and other organizations engaging in adaptation, and striving for consistency and synergies between relevant processes (EC and its member states, MISC.2).



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# Views on risk/disaster management and reduction 1

- **Call for enhanced capacity-building**
  - Risk management approaches must include capacity-building to ensure institutional preparedness (EC and its Member States, MISC.2);
  - It is important to enhance developing countries' capacity for the prevention, early-warning and proper management of disasters (China, MISC.1);
  - Capacity-building, including institutional capacity, on preventive measures, planning, and preparation for disasters related to climate change, is important (China, adaptation workshop);
- **Need for methodologies**
  - The development of methodologies and an outline for risk and disaster reduction strategies is needed (LDCs, MISC.1);



Parties'

## Views on risk/disaster management and reduction 2

Adaptation planning and implementation

- **Enhanced climate risk information**
  - Establishing a regional information system on short, medium and long-term climate change risks in Africa (African Group, MISC.2/Add.1);
  - Supporting the scientific community to become more actively engaged in order to provide easily accessible climate risk information. (Mauritius, MISC.1);
- **Linkage with DRR strategies**
  - The coordination of actions between the strategies for risk management and adaptation to climate change is needed to enhance adaptation (Uruguay, MISC.1);
  - The links between DRR strategies and adaptation should be assessed (Uzbekistan, MISC.1; Tuvalu, MISC.1/Add.3), and, where appropriate, adaptation measures should form part of disaster management plans (Singapore, MISC.2);



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## Views on risk/disaster management and reduction

- The preparation and implementation of national adaptation plans should include: strong inter-ministerial and multi-stakeholder platforms or committees addressing disaster risk reduction that comprise all relevant sectors and that include private sector, scientific and other civil society representation (ISDR, MISC.6);
- Parties should ensure the mainstreaming of technical capacities in the national disaster risk management plans, legislations and development planning (GCOS, MISC.6);
- Governments should introduce regulatory practices and adopt flexible policies for climate risk management and adaptation (GCOS, MISC 6);
- Disaster risk reduction methodologies and tools for scaling-up should be prioritized (ISDR, MISC.6);
- Collaborative mechanisms should be developed to facilitate needs- and requirements-driven activities in climate-related risk management (GCOS, MISC.6);
- A climate risk management module to facilitate adaptation is proposed to include two pillars: a prevention pillar and an insurance pillar (MCII)



## Views on risk sharing and transfer

- An international insurance mechanism for SIDS, and/or an internationally sourced pool of funds to help SIDS manage financial risk from increasingly frequent and severe extreme weather events should be established (AOSIS, adaptation workshop);
- Solidarity funds to address catastrophic risk and collective loss sharing mechanisms to address the unavoidable impacts of climate change are needed (AOSIS, MISC.2/Add.1);
- Efficiency of risk diversification mechanisms, including insurance, must be considered. Research efforts need to be advanced (Japan, MISC.2);
- There is value in exploring ways the UNFCCC might catalyze development of private insurance mechanisms, micro-insurance and or indexed insurance mechanisms, and, particularly, risk reduction/risk prevention activities, however not an additional fund or intergovernmental insurance Mechanisms (United States, MISC.5).



# Views on enhancing knowledge sharing

## Enhancing knowledge sharing

- Expertise which exists within many multilateral organizations, national governments, NGOs, development agencies and the **private sector**, should be drawn upon to inform discussions (Canada, MISC.2)
- Existing regional centres and mechanisms that address disaster risk reduction and risk management for sectors such as water, agriculture, health, and humanitarian response need to be strengthened (ISDR, MISC.6);
- Systematic dialogue, information exchange and joint working between climate change and disaster reduction bodies, focal points and experts, in collaboration with development policy makers and practitioners should be encouraged (Tearfund)



Parties'

# Views on specific institutional arrangements to support adaptation 1

Streamlining and scaling up financial and technological support

- An International Insurance Mechanism, to help fund financial resilience to the impacts of extreme weather events (AOSIS, MISC.2/Add.1; Sri Lanka MISC.5; LDCs, finance workshop);
- Solidarity funds/mechanisms to address catastrophic risk, collective loss sharing and compensation of climate victims (AOSIS, MISC.2/Add.1; Argentina, Sri Lanka MISC.5; LDCs, finance workshop);
- An institutionalized structure and process to identify and fund the most urgent and immediate adaptation needs of SIDS and LDCs and a mechanism for delivering resources and technical support (AOSIS, MISC.2/Add.1);



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## Views on specific institutional arrangements to support adaptation 2

- A fund sourced from auctioning of assigned amount units by an appropriate international institution such as a reputable international bank(s) (Norway, MISC.2 and finance workshop);
- Appropriate financial mechanism for meeting adaptation needs, taking into consideration of the vulnerability scale for adaptation (Maldives, MISC.1);
- A Framework for Action on Adaptation (FAA) to serve as a guide for the financial mechanism operating within the context of the UNFCCC, and be considered by multilateral and bilateral organizations in their adaptation and resilience building activities (EC and member states, MISC.2);
- No additional fund or intergovernmental insurance mechanisms (United States, MISC.5).



## Views on new institutional arrangements

### Institutional framework

- An insurance module as part of a multi-pillar adaptation fund with a prevention and an insurance pillar consisting of an insurance pool and an insurance assistance facility (MCII);
- An international insurance mechanism (CAN);
- Risk financing instruments at all levels to reduce financial impacts and shocks and to promote risk-reducing action (ISDR, MISC.6);
- A technology fund based on public finance to support the development and transfer of technologies (TWN)



Parties'

## Views on generating financial resources specifically for adaptation

- Mandatory or assessed contributions from developed countries (China, MISC.5; AOSIS, LDCs, finance workshop);
- Auctioning directly or applying a tax on the issuance of allowances, i.e. assigned amount units (AAU) (Norway, MISC.2; AOSIS, MISC.2/Add.1);
- Share of proceeds from joint implementation and emissions trading (Colombia, MISC.1, LDCs, finance workshop);
- Existing mechanisms such as the CDM levy (EC and member states, MISC.2) and expand it to a level of 3-5 per cent share of CERs (Pakistan, MISC.1/Add.1);
- Levies on international air travel and bunker fuels (LDCs, finance workshop);
- Venture Capital (LDCs, finance workshop);
- Diversity of sources, including ODA and the private sector (United States, MISC.5).



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# Poznan AWG-LCA workshop

- Title: Risk management and risk reduction strategies, including risk sharing and transfer mechanisms such as insurance
- Objectives:
  - To clarify and deepen understanding of the elements contained in the BAP related to adaptation
  - To provide Parties with the opportunity to share their specific experiences, views and proposals
- Party-driven
- Thursday, 4 December, 10.00-13.00 hrs
- Inputs:
  - Presentations by Parties
  - Technical papers



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# Mandates for the Technical Papers

## AWG-LCA

- **Mechanisms, including innovative insurance tools, that can be used to manage financial risks from direct impacts of climate change in developing countries,** including consideration of the unique circumstances of the most vulnerable developing countries, especially least developed countries, small island developing States and countries in Africa, and the design of appropriate mechanisms bringing together inputs from technical experts in the fields of insurance, reinsurance, and hazard assessment.  
(FCCC/AWGLCA/2008/8 paragraph 28 (b))

## Nairobi work programme

- **Physical and socio-economic trends in climate-related risks and extreme events in the context of their implications for sustainable development, paying particular attention to the most vulnerable developing countries, especially LDCs and SIDS**  
(FCCC/SBSTA/2008/L.13/Rev.1 paragraph 39)
- **Integrating practices, tools and systems for climate risk assessment and management and disaster risk reduction strategies, such as included in the Hyogo Framework for Action, into national policies and programmes”**  
(FCCC/SBSTA/2008/L.13/Rev.1 paragraph 47)



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Thank you

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# RESOURCE SLIDES



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## Linkages with DRR community 1

- NWP partner/Focal point forum at COP 14 & 15
- Action Pledges
- NWP workshop: Adaptation planning and practices
  - spring, 2009 (before SB 30) on Integrating practices, tools and systems for climate risk assessment and management and DRR strategies, such as included in the Hyogo Framework for Action, into national policies and programmes
    - Technical paper
  - summer/fall, 2009 (before SB 31)
    - Consideration of how to advance the integration of various approaches to adaptation planning, including scaling up of local and community-based adaptation
    - Submissions
- Submissions (NWP, 1/CP.10, AWG-LCA)
- Local coping strategies



## Linkages with DRR community 2

- **AWG-LCA 4 (COP 14)**
  - Workshop on Risk management and risk reduction strategies, including risk sharing and transfer mechanisms such as insurance
    - technical paper on mechanisms, including innovative insurance tools, that can be used to manage financial risks from direct impacts of climate change in developing countries, ..., and the design of appropriate mechanisms bringing together inputs from technical experts in the fields of insurance, reinsurance, and hazard assessment
- **Bali Action Plan (Decision 1/CP.13)**
  - Risk management and risk reduction strategies, including risk sharing and transfer mechanisms such as insurance (FCCC/AWGLCA/20076.Add1, paragraph I (c)(ii))
  - Disaster reduction strategies and means to address loss and damage associated with climate change impacts in developing countries that are particularly vulnerable to the adverse effects of climate change (FCCC/AWGLCA/20076.Add1, paragraph I (c)(iii))

