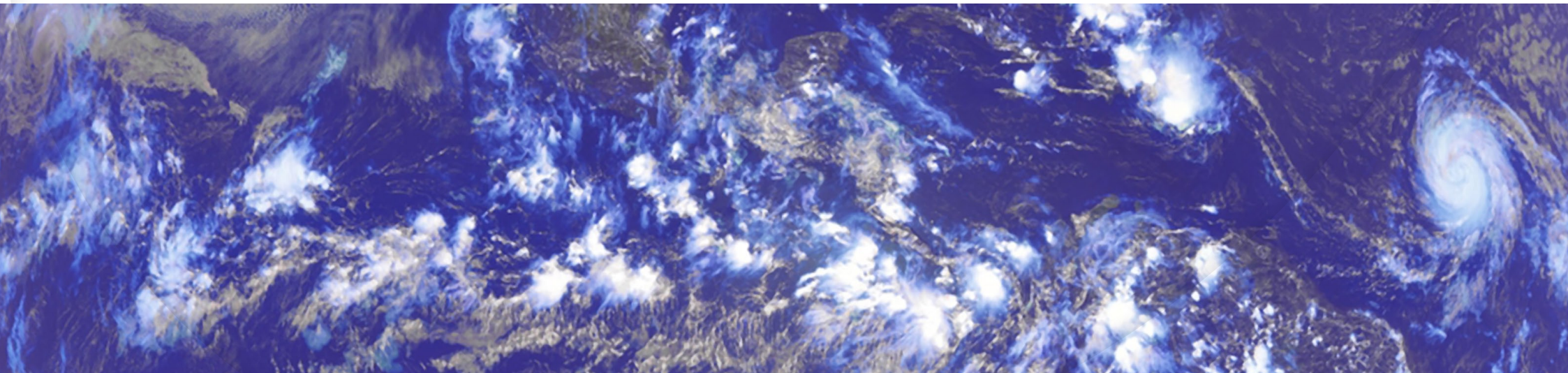


Advancing adaptation through climate information services

Results of a global survey on the information requirements of the financial sector



Paul Clements-Hunt (UNEP FI)
Paschen von Flotow (SBI)
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Advancing adaptation through climate information services

The study...

- was conducted by the Climate Change Working Group (CCWG) of the United Nations Environment Programme Finance Initiative (UNEP FI) and the Sustainable Business Institute (SBI)
- as part of the project “Climate Change, Financial Markets and Innovation (CFI)”, sponsored by the Federal Ministry of Education and Research (BMBF), Germany, and supported by the German “Climate Change Finance Forum”
- builds on earlier studies of UNEP FI (“Adaptation and Vulnerability to Climate Change: The Role of the Finance Sector”) and SBI (“Jointly Developing Climate Information Systems: Requirements for the Climate Service Center (CSC) from the perspective of the financial sector”)
- is a contribution to the international dialogue on climate research and observation as well as information services and adaptation strategies.

Reasons for and purpose of the study

International efforts of climate change mitigation will hopefully lessen climate change, but significant impacts from climate change are unavoidable.

Increase of weather extremes in the last decades show the need for more professional risk management and advanced adaptation.

Therefore the study:

- examines how the business of financial service providers is affected by direct risks / physical impacts of climate change today, and how they expect that exposure to develop in the future
- identifies the respective information needs of these international financial service providers
- is raising some of the key issues regarding improved climate information systems for better risk management and advanced adaptation - within and beyond the financial sector.

Respondents

The study provides insights into the perceptions of international financial service providers of five continents (65 respondents, approximately one third of all UNEP FI members).

Three different types of financial services

- Insurance (11 responses)
- Lending (35 responses)
- Asset management (19 responses)

They are working with a wide range of clients in all continents and in all sectors.

Key messages of the study I

Respondents consider:

- their own business as well as their clients business as increasingly affected by direct risks / physical impacts of climate change and expect an increase of such risks in the future
- the access to existing information and/or availability at all, as not sufficient
- more precise information on climate change (impacts) as essential for an effective risk management (for identifying, quantifying, and pricing risks).

Key messages of the study II

International financial service providers (insurers, lenders and asset managers) consider:

- information at the regional level within a time horizon of 10 to 30 years and the interpretation of the reliability of climate change (impact) predictions as most relevant
- climate change expertise as a relevant (emerging) competitive factor within the financial sector
- the development of climate information services as a relevant private and public task.

Climate change: Affecting financial service providers differently

- Regarding the economic effects and perceptions of climate change impacts and risks, it is relevant to differentiate between different types financial service providers.
- The individual financial branches differ significantly in terms of their types of risks and time horizons.
- Accordingly, their information needs regarding climate change also differ significantly.
- Predictions and analyses will have to be customised to the type, location, and customer base of the financial institution concerned.

Insurers and reinsurers

Eleven insurers participated.

They

- recorded an increase in weather-related damages, and expect these to increase
- reported an accumulation of such risks, and expect accumulation risks to increase
- expect risks to change, and anticipate these changes will accelerate in future.

Amendments to insurance products are happening or will become unavoidable.

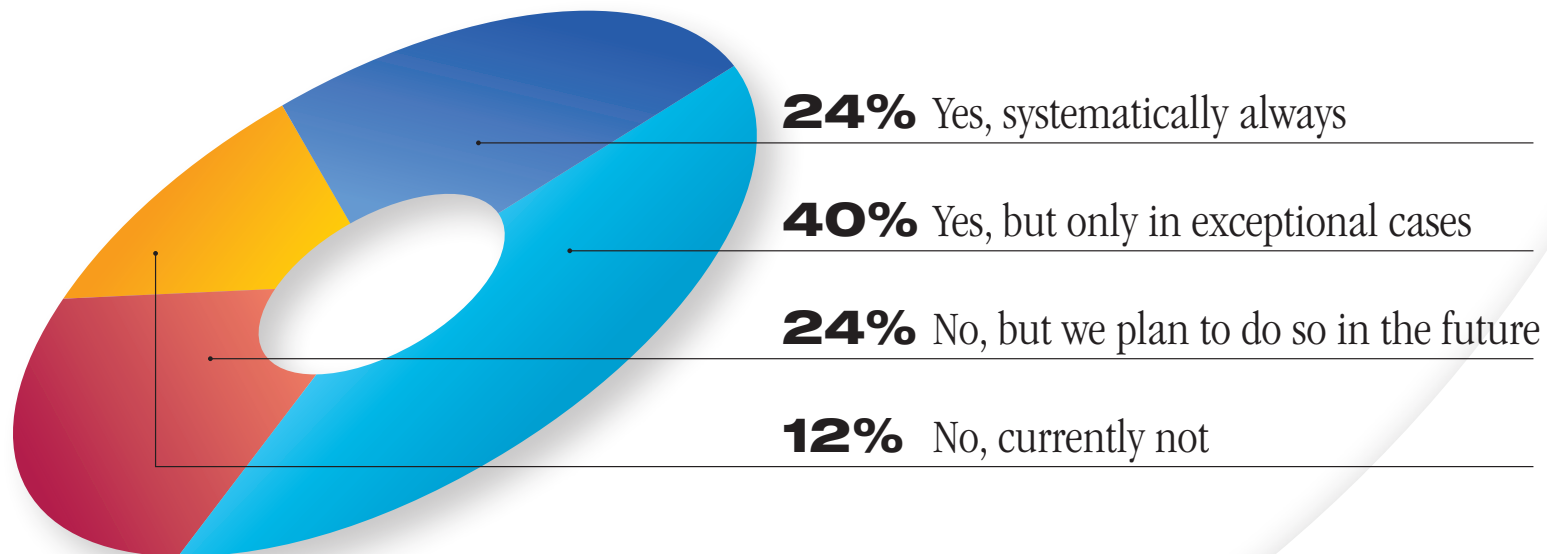
Insurers and Reinsurers are developing new insurance products or plan to do so in future.

Lenders I

- Less than half of the respondents feel that “already today” their credit transactions are affected by:
 - an accumulation of risks
 - changing risk patterns
 - increased credit losses due to direct, physical effects of climate change.
- But about 80% feel climate-change-induced risks will be more important in the future.

Lenders II

■ Lenders' current practice on treating climate change as a risk factor:

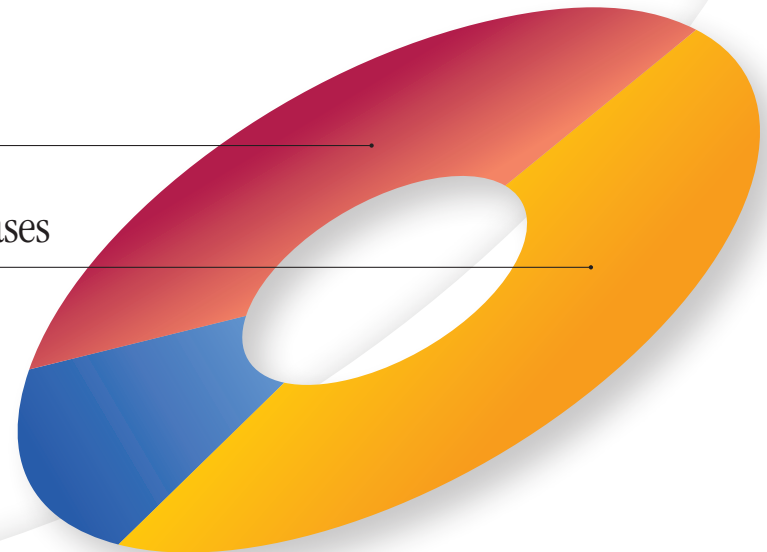


Asset managers

- Analysts and asset managers rely on highly aggregated information, or self-reporting by companies.
- Asked about the integration of direct effects of climate change when conducting due diligence and stock picking
 - 7 out of the 19 answered: “Yes, systematically always”
 - 9 out of the 19 replied: “Yes, but only in exceptional cases”.

Yes, systematically always

Yes, but only in exceptional cases

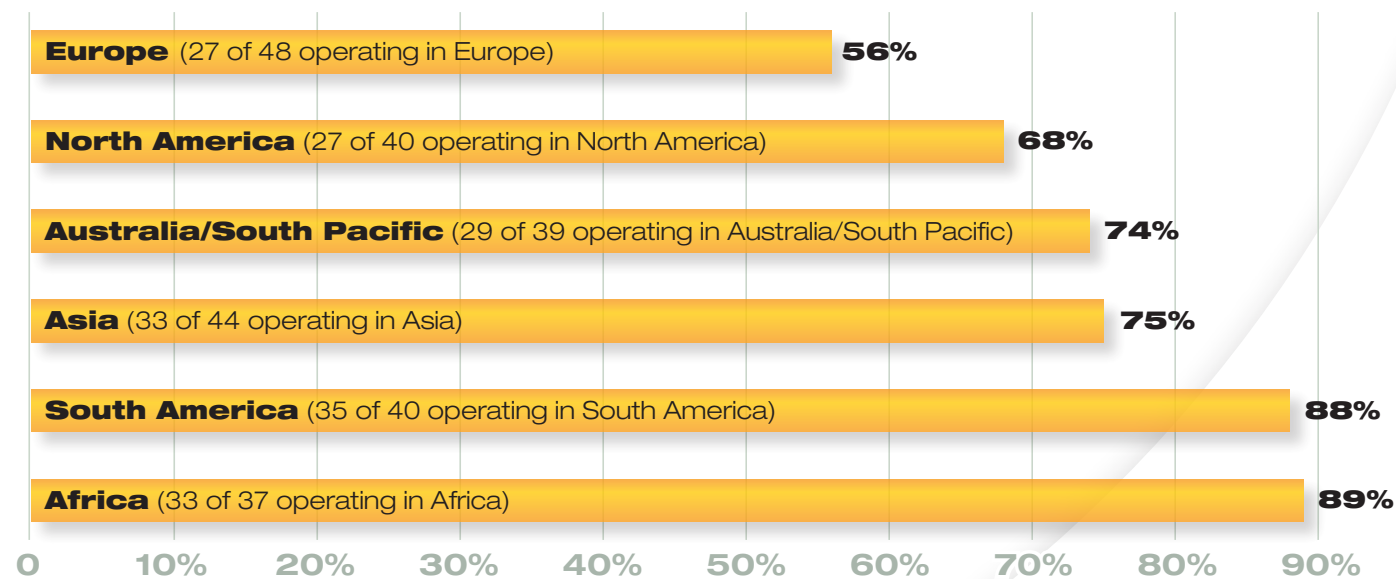


Information needs

- Less than half of the respondents feel they are sufficiently well-informed. Even for historical weather data, less than half feel adequately informed.
- The majority of respondents rated historical weather data nearly as important information as climate predictions.
- The highest importance regarding the significance of information is attached to the category “advice on reliability of predictions” (about 80% of respondents).
- Climate change predictions for the local and regional level and the time horizon of the next 10 to 30 years are not available or reliable enough for many purposes of the financial sector and the available information is not in a user-friendly state.

Regional orientation

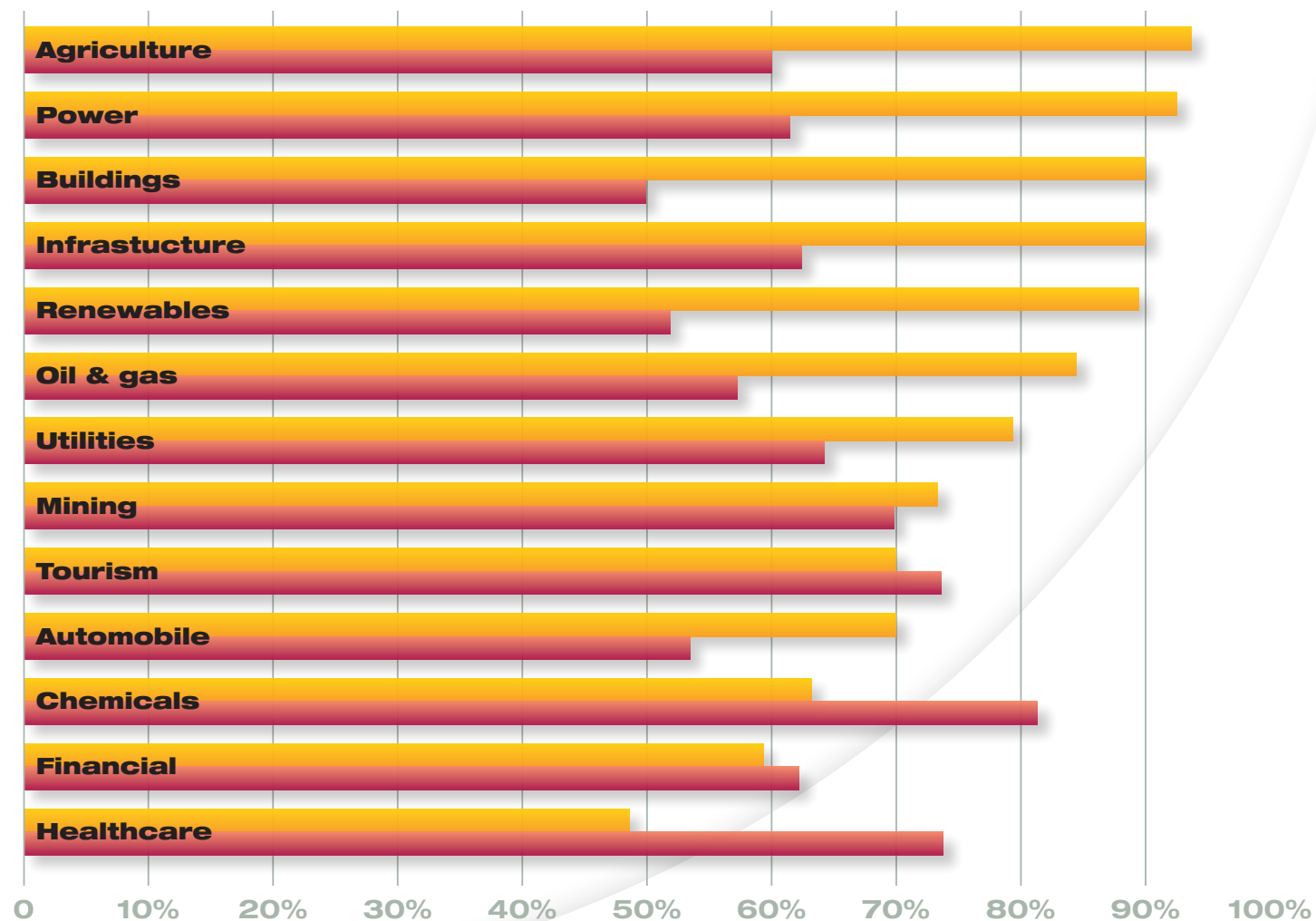
Proportion of respondents inadequately informed about regional climatic risks



Sectoral orientation

Yellow: proportion of respondents who view a sector as being very important regarding its exposure to the direct effects of climate change

Red: proportion of respondents who feel there is a significant lack of information about the sector's exposure to climate change



Information formats

Respondents are interested in a wide range of different information formats:

- periodical reports about the effects of climate change on certain sectors and companies (61)
- best practice cases on tackling risks and opportunities in the financial services industry (60)
- periodical reports about the effects of climate change on certain regions (51)
- further training (seminars / conferences) (33)
- online services (FAQ etc.) (27)
- ad hoc statements / Expert opinions (27)
- periodical reports about the state of the art in climate science (27).

Public-Private partnerships

- A portion of the required services can be generated privately – and therefore might be seen as a private good.
- Reliable climate change information for risk management and adaptation measures within the private sector needs a long “value chain” of research and other public activities.
- The respondents expressed a broad and strong interest to collaborate regarding the (further) development of various information services and formats:
 - Sectoral and regional studies
 - Loss and catastrophe models and various databases.

Further action

- Predictions and analyses will have to be customised to the type, location, and customer base of the financial institution concerned.
- Certainly the questions of how to design, organise, and finance a worldwide information architecture and related services need much more discussion and step by step development.
- It is time for a broader national and international discussion on the different roles and responsibilities as well as types of co-operation.