The Blended Capital Group

New assets. New thinking.

Framing the discussion: Financial Risk Management Perspective

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Global risks for global markets:

- Global financial assets:
  - Total assets: USD 212 trillion start 2011 up from USD 54t in 1990
  - Equity markets: USD 45.7 t by end 2011 up from the USD 26.6 t low of February 2009 and down from 2007 pre-crisis USD 63t high
  - Bank deposits: USD 54 t by start 2011
  - Bond markets: USD 95 t start 2011
  - HNW/UHNW: USD 47 trillion up from USD22 trillion in 2000
  - China: USD 3.2 Trillion of foreign reserves

- Global insurance industry:
  - USD 4.3 trillion premium in 2010
  - USD 24 trillion plus assets under management in 2010

Global risks for global markets:

- Global infrastructure needs:

  - Total estimated spend on urban assets (200-2025) USD 200 trillion with 40% in Asia-Pacific. USD 46 t on fixed urban assets in China.

  - For every USD30 million to be invested just USD 100k ear-marked for adaptation to climate proof infrastructure.

  - IEA estimate USD 1 trillion a year for energy infrastructure upto 2030 (with USD 500 billion to maintain status and USD 500 billion to put on a low carbon, clean energy, resource efficient footing).

Global risks for global markets:

- Economic losses due to climate & natural disasters:
  - UNEP FI 2002 estimated USD 150 billion economic losses per year by 2012. Highest cost to uninsured in vulnerable countries.
  - Figure surpassed in 2005 after Hurricane Katrina.
  - UNEP FI 2007 saw a viable scenario of a USD 1 trillion loss in a given year by 2040.
  - 2011 confirmed as the greatest insurance loss figures in history.
  - Estimates of USD 85 cost per tonne of carbon while current value of carbon hovering below USD 5 a tonne.

Climate change is already underway

- Further changes are already inevitable
- Floods
- Water scarcity
- Food shortages
- Health impacts
- Risk of conflict over resources

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Which industrial sectors are most at risk?

- Sectors reliant on long-lived fixed assets, e.g.
  - Transport
  - Mining, oil and gas
  - Energy production
  - Water supply
- Climate-sensitive sectors, e.g.
  - Agribusiness
  - Forestry and forest products

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Banking sector action on adaptation

- *"IFC believes that the private sector needs to implement appropriate climate adaptation measures that ensure financial, social and environmental sustainability of its investments in the face of potential climate impacts."*

International Finance Corporation
World Bank Group

- *"Barclays has amended its in-house project finance due diligence approach, requiring environmental consultants producing ESIAs to include climate change resilience considerations in their environmental risk assessments."*

BARCLAYS

- *"EBRD considers that climate change may pose a range of risks to its investments …. EBRD wants to understand these risks, and their likely impacts on its investment projects, so that projects can be made climate resilient where appropriate."*

European Bank
for Reconstruction and Development

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UNEP FI fostering a global insurance industry perspective for the UNFCCC loss & damage work programme:

1.A global insurance sector contribution

1.The UN-backed Principles for Sustainable Insurance from UNEP Finance Initiative

Components & deliverables of the loss and damage work programme from a insurance perspective (i):

- **Component 1:** Establish a common language on loss and damage.
- **Component 2:** Establish a clear understanding of the scope, operations, needs and practices of the UNFCCC and the insurance industry.
- **Component 3:** Use a principles-based approach to loss and damage in the context of climate change adaptation and insurance industry involvement

Components & deliverables of the loss and damage work programme from a insurance perspective (ii):

- **Component 4:**. Conduct research and propose pilot projects on public-private partnership models for integrated risk management approaches and climate insurance.

- **Component 5:** Address the lack of relevant systematic and reliable risk data working with relevant meteorological, academic and public agencies.

- **Component 6:** Initiate long-term dialogue and collaboration between the UNFCCC community and the global insurance industry.

▪A transformation begins:

▪A new reinsurance facility that enabling developing world municipalities to raise local currency debt with environmental and social factors hard-wired into the offering.

▪The $145 billion Government Employees Fund of South Africa are working to embed employment growth, human capital, environmental infrastructure and low carbon themes into a Pan-African infrastructure fund.

▪One of the largest European banks is seeking to foster the emergence of a 'Positive Impact Finance' asset class that reinvents project finance.