



SIDE EVENT

BREAKING NEW GROUND: RISK FINANCING FOR SLOW ONSET EVENTS

SUMMARY NOTE, November 2017

BACKGROUND

The side event '*Breaking new ground: Risk financing for slow onset events*' was organized by the Executive Committee of the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts (Executive Committee) and took place on 9 November 2017 at COP 23 in Bonn, Germany.

The side event aimed to facilitate insightful thinking on features of financial instruments and tools as well as innovative ways for collaboration and partnerships to enhance action and support for addressing the risks of slow onset events (SOEs).¹



The Executive Committee took some of the gaps identified by the Standing Committee on Finance (SCF) during their annual forum and used them as a starting point for discussion. The SCF, which dedicated their forum in 2016 to financial tools and instruments that address the risks of loss and damage² identified, among others, that current risk management efforts are mostly directed towards extreme weather and rapid-onset events. Additionally, the forum identified that:

- Major gaps still exist with regard to addressing slow onset events (sea level rise, ocean acidification, land and forest degradation, desertification, salinization, increasing temperatures, loss of biodiversity, glacial retreat);
- Existing financial instruments are not available to all;
- Risks of loss and damage may exceed national capacities;
- Existing financial instruments may not be enough.

¹ Slow onset events have been identified to include sea level rise, increasing temperatures, ocean acidification, glacial retreat and related impacts, salinization, land and forest degradation, loss of biodiversity and desertification.

² For more information on the forum, see <http://unfccc.int/9410>.

An [outline](#) of the side event along with a [summary of discussions](#) is available below. Questions asked by the audience via the online audience interaction tool *Sli.do* are available in annex 1.

[Photos](#) with responses to the question ‘*What are you doing to address the risks of slow onset events?*’ collected during the awareness raising campaign prior to the side event are available in annex 2.

[Video recording](#) of the side event is available at <https://www.youtube.com/watch?v=fYC44nebmfE#t=1h50m12s>.

For [more information](#) on the side event, visit <http://unfccc.int/10502>.



SUMMARY OF DISCUSSIONS

The 1,5-hour long facilitated side event was structured as follows:

PART I	Mr. Vhalinavho Khavhagali Executive Committee of the Warsaw International Mechanism for Loss and Damage
PART II	What characteristics would financial instruments have to have in order to create investment opportunities? Mr. Simone Quatrini, <i>United Nations Convention to Combat Desertification</i> Mr. Grammenos Mastrojeni, <i>Italian Development Cooperation</i>
PART III	Risks of loss and damage may exceed national capacity or boundary. How can we work together to enhance support for countries’ efforts? Mr. Manjeet Dhakal, <i>Nepal</i> Mr. Espen Ronneberg, <i>Secretariat of the Pacific Regional Environment Programme</i> Ms. Julie-Anne Richards, <i>Climate Justice Programme</i> How can the insurance sector contribute to the discussion/support of the development of new instruments for slow onset events on the basis of its experiences and data utilized for existing instruments? Mr. David Simmons, <i>Willis Tower Watson</i> What would an ideal partnership look like? Views and insights from audience
PART IV	A step closer towards a resilient future <i>‘To address the risks of slow onset events, I/we will...’</i>



What characteristics would financial instruments have to have in order to create investment opportunities?

Mr. Simone Quatrini

United Nations Convention to Combat Desertification

Since 2014, Mr. Quatrini led the development of the Land Degradation Neutrality (LDN) Fund, a public private partnership bringing together investors from both the public and private sectors to pool capital in order to finance projects and activities that address issues related to desertification, land degradation and drought.

Some characteristics of the LDN Fund that may be applicable to other SOEs include:

- Capital structure: the LDN Fund has a layered capital structure that consists of both junior and senior shares, each of which plays an important role in accommodating different types of investors.
- Implementing transformational change: the LDN Fund only implements projects that deliver transformational change. This involves a long-term time dimension, which must be addressed in order to respond to risk return expectations from investors.
- The liquidity factor: the LDN Fund deals with long-term issues so it is important to provide a market that enables investors to exit from investment at any point in time because investors do not want to be locked into a project for 30-40 years.

Mr. Grammenos Mastrojeni

Italian Development Cooperation

Mr. Mastrojeni is a diplomat, international policy specialist, professor and writer who focuses on societal, geo-strategic and economic impacts of environmental degradation. He looked at financing SOEs from a business perspective, asking *'Is the 2030 Sustainable Development Agenda marketable?'* He argued this question is important because combating SOEs is about protecting the values of the 2030 Agenda and finance becomes viable if business is viable. SOEs modify ecosystems that provide value to society. Customers are not yet prepared to pay for these values because they are an abstract concept, however, customers are willing to pay for the services a viable environment provides. As a result we can look at combating SOEs in two ways:

- Build protective infrastructure to cope with an environment that will die
- Protect the environment in a way that it stays viable and still provides

Mr. Mastrojeni concluded that the secret is to make a viable environment an opportunity for income and development, even in the face of a changing environment. In order to do this however, large scale finance for small scale projects is needed, such as layered funds, impact funds, soft debt and microcredit.

Risks of loss and damage may exceed national capacity or boundary. How can we work together to enhance support for countries' efforts?

Mr. Manjeet Dhakal

Nepal

Mr. Dhakal is an advisor to the Least Developed Countries Group under the UNFCCC and serves as a Senior Climate Policy Analyst at Climate Analytics. He displayed a map showing the impacts of recent floods in Nepal, India and Bangladesh and stressed that climate change impacts, including both extreme events and SOEs, do not comply with national borders. Both India and China pledge financial support to Nepal following the disaster, highlighting the importance of collaboration not only within one country, but also across borders. However, Mr. Dhakal noted that it is important to improve collaboration in terms of knowledge distribution, preparedness and working together to address long-term issues such as SOEs. Currently there is no institutional arrangement in terms of preparedness or planning to better address events before they happen.

As far as finance, countries with weak capacity, such as Bangladesh, are implementing a number of initiatives to address SOEs and in Nepal, the potential of mobilization of funds and resources is being explored.

Mr. Espen Ronneberg
Secretariat of the Pacific Regional Environment Programme

Mr. Ronneberg, current acting Director of the Climate Change Division at the Secretariat of the Pacific Regional Environment Programme (SPREP), stated that SOEs are already becoming evident in the Pacific region. The SPREP recently started an ocean acidification monitoring project and has learned that approaches to address SOEs must be multi-disciplinary, multi-stakeholder and multi-risk. Despite the region's long history of collaboration, Mr. Ronneberg pointed out that there are still many needs moving forward. Support is needed for what is already being done at the regional and national levels as well as for new emerging SOE issues. More monitoring, technical cooperation and the development of regional rapid response mechanisms, such as a regional insurance mechanism, which has been discussed recently, are also needed. However, funding is a major constraint to addressing these needs and the recent withdrawal of \$21 million from the Pacific region will significantly impact the work SPREP carries out on SOEs. Mr. Ronneberg summed by providing an analogy – just like Chinese food, we need lots of ingredients to address SOEs, including financing, technical support, innovation and new adaptation techniques.

Ms. Julie-Anne Richards
Climate Justice Programme

Ms. Julie-Anne Richards, Manager for International Policy at Climate Justice Programme, highlighted how loss and damage is exceeding national capacity and provided several examples, such as the recent hurricanes in the Caribbean and droughts in East Africa, which are limiting countries' abilities to develop and address poverty. Currently loss and damage finance is not where it needs to be. As a result, Ms. Richards argued that there is a need to think about a different approach to funding loss and damage and suggested that loss and damage finance must have a different quality, not reliant on charity, but instead adequate and predictable. While insurance plays a role in extreme events, when it comes to SOEs, insurance is unlikely to be the right response. Strategies and instruments that are more appropriate to address SOEs are likely to focus on building the resilience of communities, such as social protection schemes and livelihood diversification. Moving forward, Ms. Richards stated that it is crucial for the Warsaw International Mechanism (WIM) to look at how finance can be generated and provided some examples, such as a fossil fuel extraction fee or levies on airlines.

[How can the insurance sector contribute to the discussion/support of the development of new instruments for slow onset events on the basis of its experiences and data utilized for existing instruments?](#)

Mr. David Simmons
Willis Towers Watson

Mr. Simmons, Managing Director within Willis Towers Watson's Capital, Science and Policy Practice, elaborated on how much insurance has changed over the years. Today, thanks to science, we are much better at understanding risks and vulnerabilities. For example, how often will an earthquake strike, how strong will it be and how will people be hurt? However, insurance is a short-term thing; insurance companies simply don't care about what happens in 10 years. And while the industry does take into account climate change and variability, it does so on a single year time span. When it comes to SOEs, the African Risk Capacity engages with countries to properly understand the risks, exposure, vulnerability and how people will be impacted. In



the case of an event, payment is guaranteed within 14 days. It's more than just saving lives, it's saving livelihoods to build the economy back. But there are challenges with insuring long-term events, such as rising sea levels, because we know it is going to happen. Ultimately, we need people to better understand risks so we can finance this in the future.



MOVING FORWARD: A STEP CLOSER TOWARDS A RESILIENT FUTURE

Remarks by panelists for moving forward towards a more resilient future included the following:

Finance: Funding is crucial and simple access modalities are needed, particularly in countries with the least capacity. Financing can help empower people, build social cohesion and help prepare for what is to come. While insurance is not the solution to all problems, it can provide a way of addressing events before they happen, instead of just responding to them. (Mr. Manjeet Dhakal, Mr. David Simmons, Mr. Grammenos Mastrojeni)

International solutions: International solutions addressing the challenges of financing slow onset events are critical. Discussions at this event affirmed that examples and experiences exist and finance can be mobilized for SOEs. Moving forward, a possible international solution is to establish a forum to initiate continuous discussions, provide access to the latest scientific information and promote knowledge exchange. (Mr. Manjeet Dhakal, Mr. Simone Quatrini)

Improving the WIM: It is important to ensure the WIM works and delivers. The WIM should develop a workplan to specifically deal with finance. Additionally, the WIM needs results in implementing practical solutions and actions on the ground, including capacity support, financing, technical assistance and knowledge sharing. (Ms. Julie-Ann Richards, Mr. Espen Ronneberg)

Responses by the audience on 'To address the risks of slow onset events, I/we will...' are contained in annex 1.



PHOTO CAMPAIGN

A photo campaign took place leading up to the side event in order to raise awareness of slow onset events and how to address them as well as to promote the side event.

Participants were asked to respond to the question 'What are you doing to address the risks of slow onset events'. The campaign took place via social media (#ActOnSOEs and #COP23) and on-site during COP 23.

A total of 123 people participated in the photo campaign. A complete list of answers received can be found in Annex 2.



- How is evidence being developed to see what works – e.g. social protection versus insurance; sovereign schemes versus others insurance schemes
- As climate change impacts increase how will it impact premiums for vulnerable countries and will insurance not be a viable option for countries such as Bangladesh?
- Does (free) disaster relief money represent a perverse incentive against (market) insurance and preventive adaptation measures?
- Given ever increasing climate uncertainty, how can we encourage insurers to consider and plan for longer time-frames, even beyond leadership tenure?
- Can you tell us more about Tuvalu’s proposal for a regional climate risk insurance scheme?

Non-insurance monetary approaches

- How do you view using debt forgiveness as a tool to finance loss and damage resulting from slow onset events in developing countries?
- Do the Fossil Fuel Subsidies have a place in this financial architecture to support SOE?
- How/does the fund help capital investors identify potential investment opportunities?
- Social protection: how to monetize it?
- It is hard to make loss and damage events revenue generating so how does that work if the funds are supposed are supposed to see ROIs?
- Why should donors bear brunt of risk in your layered fund?
- Where is the LDN Fund located? Is there a country or region already selected for funding? Who is able to access LDN fund?
- Are funding streams directed at securing tenure to land in rural areas as a strategy for mitigation and resiliency?
- What types of investors are willing to finance the junior tranches of the capital structure you have just described? What are the underlying revenue streams or cash flows providing returns for investors?
- What kind of collaboration and partnerships are needed for these innovative financing?

Non-monetary approaches

- Why ignore the role of regulation to raise funds and shape action? For example, smoking has been countered by effective and selective taxation on cigarettes
- How do we ensure ecosystem services valuation and ensure that consumers see the monetary value of ecosystem services?
- Instead of insuring against damage from natural disasters why don’t we incentivize more sustainable inland communities?
- Can you outline how the Climate Damage tax could be utilized for slow onset disasters?
- What are the other panelists’ response for a Climate Damage tax?
- Doesn’t putting a cocoa monoculture in a forest damage the forest due to human activities and loss of biodiversity?

Vulnerability, rights, justice

- What needs to be taken into account in SOEs finance so vulnerable people are helped?
- What role can civil society play to help climate policy learn good ways to apply finance to help vulnerable countries and people deal with SOEs?
- Can the commodification of risk and nature adequately deal with the issues of rights, inequality and justice?
- How do you make sure investments do no harm?
- Historically, “financial engineering”/financial markets make a small proportion of the world’s population well off, such as investors/bankers. How equitable is this equity?



- Considering anthropogenic climate change is due to global north historic industrialization – is the creation of new markets the best option to face climate change effects?
- How can financial instruments help build social cohesion so vulnerable people are better prepared/less impacted by slow onset events?
- Where is the polluters pay principle or social justice aspect of the various suggested financing options? Business as usual won't provide adequate funding.
- How does gender inequality affect local communities' ability to deal with slow-onset events?

Others

- Just like to say “thanks!” and keep pushing hard WIM negotiations to hell prepare countries for what's coming
- Why did the Excom not include the integration of gender considerations across its five-year work plan and will Parties change this at COP 23?
- Perhaps we should have the definition of loss & damage up on the screen. Are we not looking at the financing for loss & damage? Rather than adaptation or mitigation?
- Can you outline the international politics preventing progress on the financing of L&D (excluding insurance)?
- In the Caribbean, can we spend risk financing on finding ways to build infrastructure that is much less susceptible to extreme events (e.g. hurricanes)?
- Is there an official UN definition for slow onset events?
- What is the reference to slow onset events, the topic of the side event?
- Why are floods and cyclones slow onset events?
- Why aren't there any photos in #ActOnSOEs of people on the front line of irreversible climate change smiling at the inequality?

Responses by the audience on 'To address the risks of slow onset events, I/we will...'

- Put the possible risk financing scheme into the events contingency plan and if needed look for innovative scheme which engages market players in each affected sector.
- Give my children hope and teach them how they can make a positive impact in building strong community.
- Ask my legislators to reform laws that impact on our lands so farmers and herders can be part of the solution to land degradation.
- Vote!
- I will try to explain to children about changing climate, current impacts, how future risks would relate to their own life, family and homeland and try to engage the younger generation.
- Include slow onset events in all the work on standards that is actually ongoing.
- Make sure we don't limit CCA to DRR.
- Address security of land tenure in the global south to promote investments and climate smart agriculture that prevents degradation and creates resiliency.
- Eat less meat.
- Help keep warming to 1.5C!
- Advocate increasing water storage in ecosystems.
- Understand how slow onset events impact migration.



Responses to 'What are you doing to address the risks of slow onset events?' collected during the photo campaign

Lifestyle

- Always taking the bike / Cycle to work / I carpool / Green transportation / take trains to work/ walk to work / public transportation
- Never eat meat / Eat vegan! / I am vegetarian / seasonal food / organic food
- Recycling / reduce waste
- No single-use plastic bags / I use reusable bags / I say no to plastic straws
- I recycle the kitchen oil
- I live small
- I grow my food
- I live in an ecovillage
- I switch off the light when leaving a room

Communication, education and awareness

- Kick-started the environmental awareness focus club at my school
- I raise awareness through music
- I educate students about sustainability
- We make environment related games and publications
- I want to communicate environmental science
- GEYK educate youth in South Korea on climate change
- Educating local communities on climate change #ClimateBlue
- I contributed to a documentary on coral bleaching
- Virtual walkabouts for sustainability
- We raise awareness of climate change in India
- Green education museum
- Planning relevant workshop

Knowledge and research

- I research issues related to immunity and biodiversity
- I research effect of air pollution on health
- We study oceans and the atmosphere
- I study risk perceptions of climate change / community engagement
- I did research on dye-sensitized solar cells
- We observe ocean mixing dynamics
- I study paleo-climate of Antarctica during the onset of its Cenozoic glaciation
- My research plants cacao agroforests
- Student studying climate policy
- I study industrial ecology to improve the system
- Writing PhD about climate change

Engagement

- I engage indigenous peoples in sacred rituals
- I engage my community to harvest rainwater
- Encouraging friends to fight climate change
- We involve young students in schools in climate action
- Engage Ivorian youth to take action on climate change

Specific activities

- Natural England provide funds to conserve areas of high biodiversity
- We insure farmers against climate change – Weather Risk, India
- Helping ultra-poor women farmers in developing countries adapt
- I've contributed for the environment by planting mangroves near the shore regions
- Sustainable forest management #ACOFOP #OMYC
- We build sustainable houses
- I'm an advocate of renewable energies
- UUSC advances human rights for those affected by SOEs
- Zenaga Foundation builds PV plants for schools
- Planting trees #trilliontrees
- Climate reality leaders #Actionclimate
- We address biodiversity loss, desertification and salinization and land degradation in Guinea
- I protect the reserves in Ivory Coast
- Deloitte Lux distributed 2000 reusable bottles to its employees
- I left the petroleum field to save the climate through renewables
- Restore degraded land in Cameroon to improve livelihoods