

**UNFCCC Expert Meeting on Response Measures**

**Montreal, Canada**

**24 Nov 2005**

**Insurance.... Financial Resilience**  
**Country Perspective**

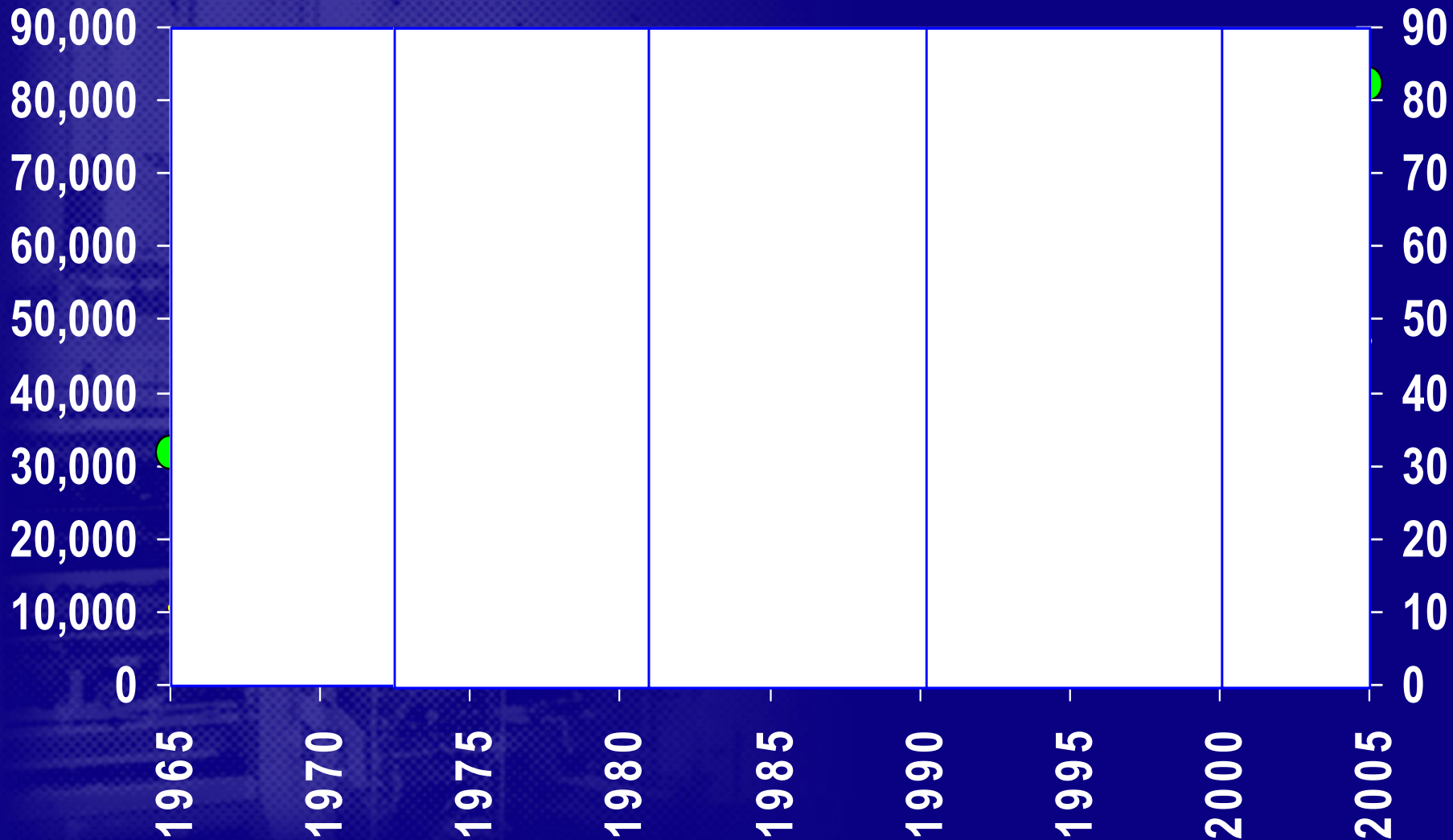
**Aysar A. Tayeb**

**Saudi Arabia**

# Insurance..... Financial Resilience

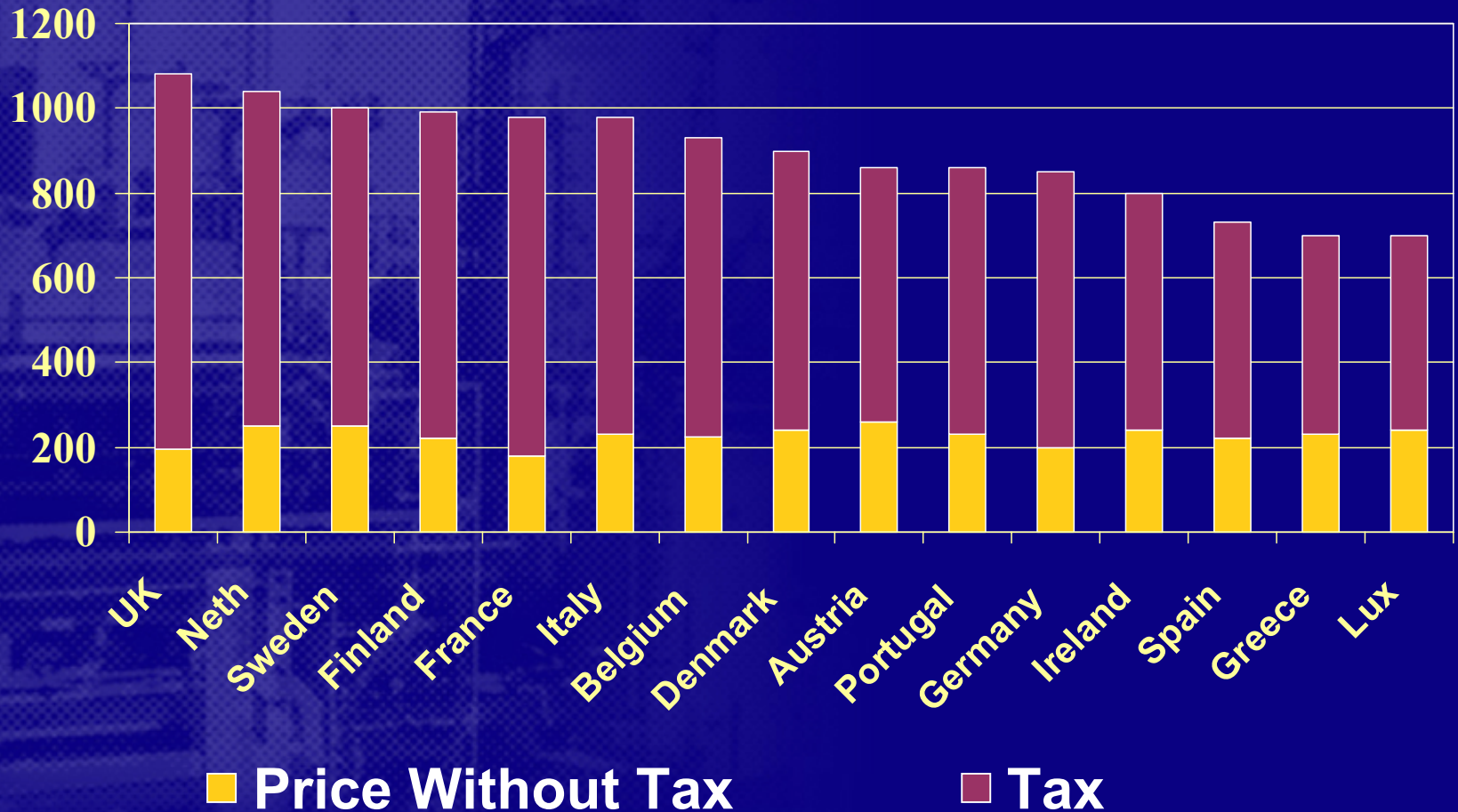
- Why is this an issue for Developing Countries?
- 9 Groups Identified Under Article 4.8
- It Is About Vulnerability
  - Developing Countries With High Dependency on a Single Commodity
  - Oil Producers Are The Most Vulnerable

# Forty Years of Consumption & Prices

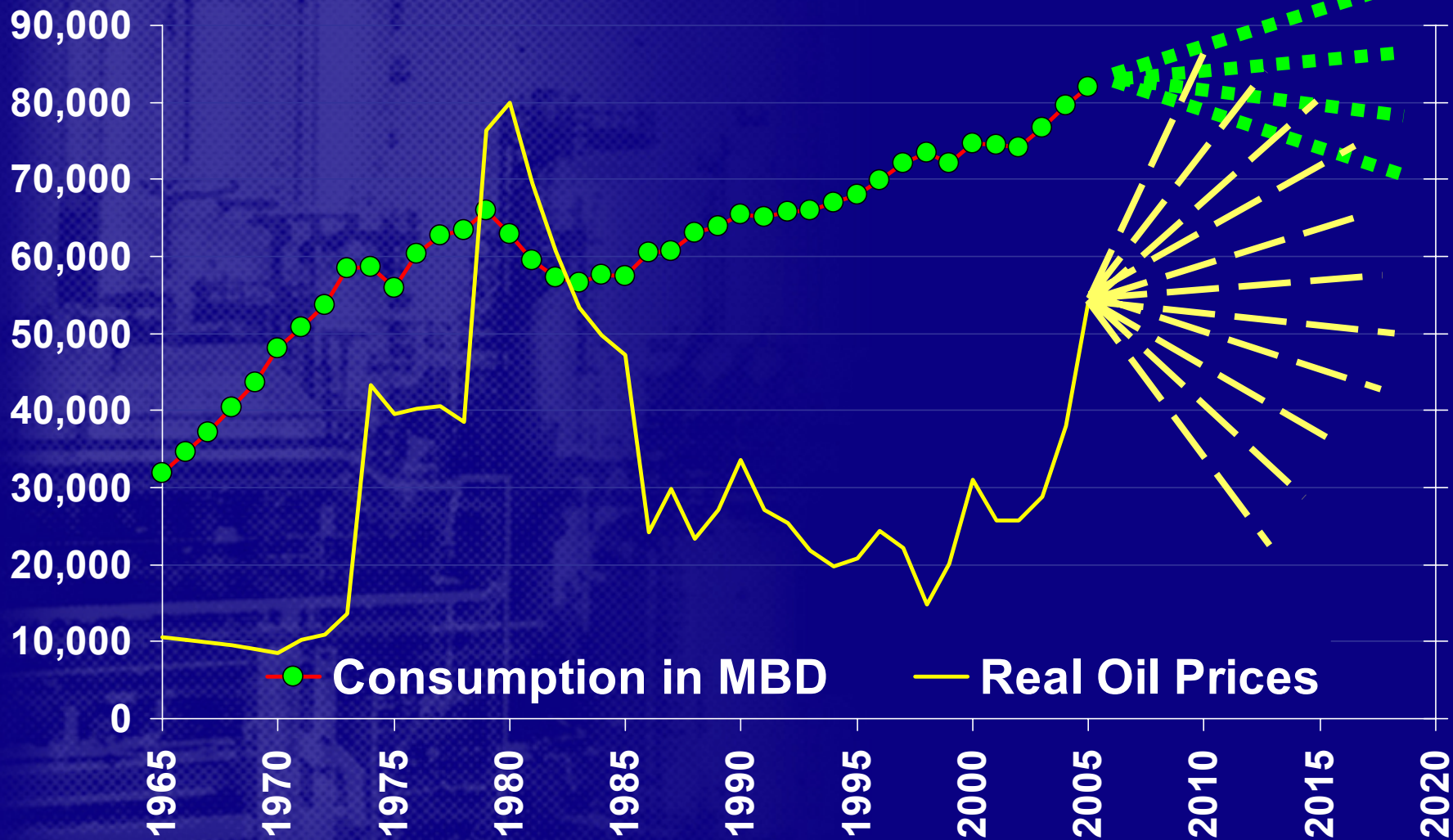


# Higher Earnings ..... For OPEC?!

Taxes on Gasoline for Number of OECD Member States  
(\$ US per 1,000 L)

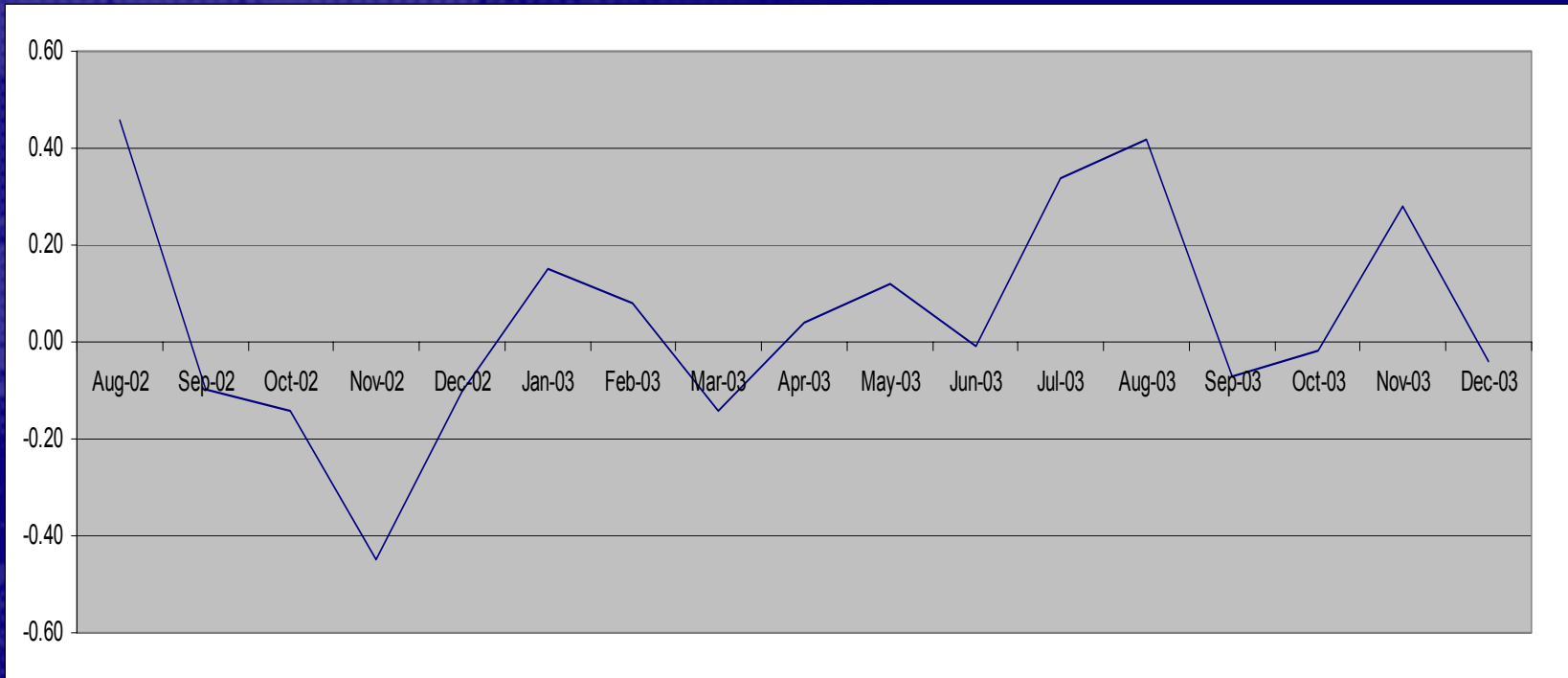


# Forty Years of Consumption & Prices

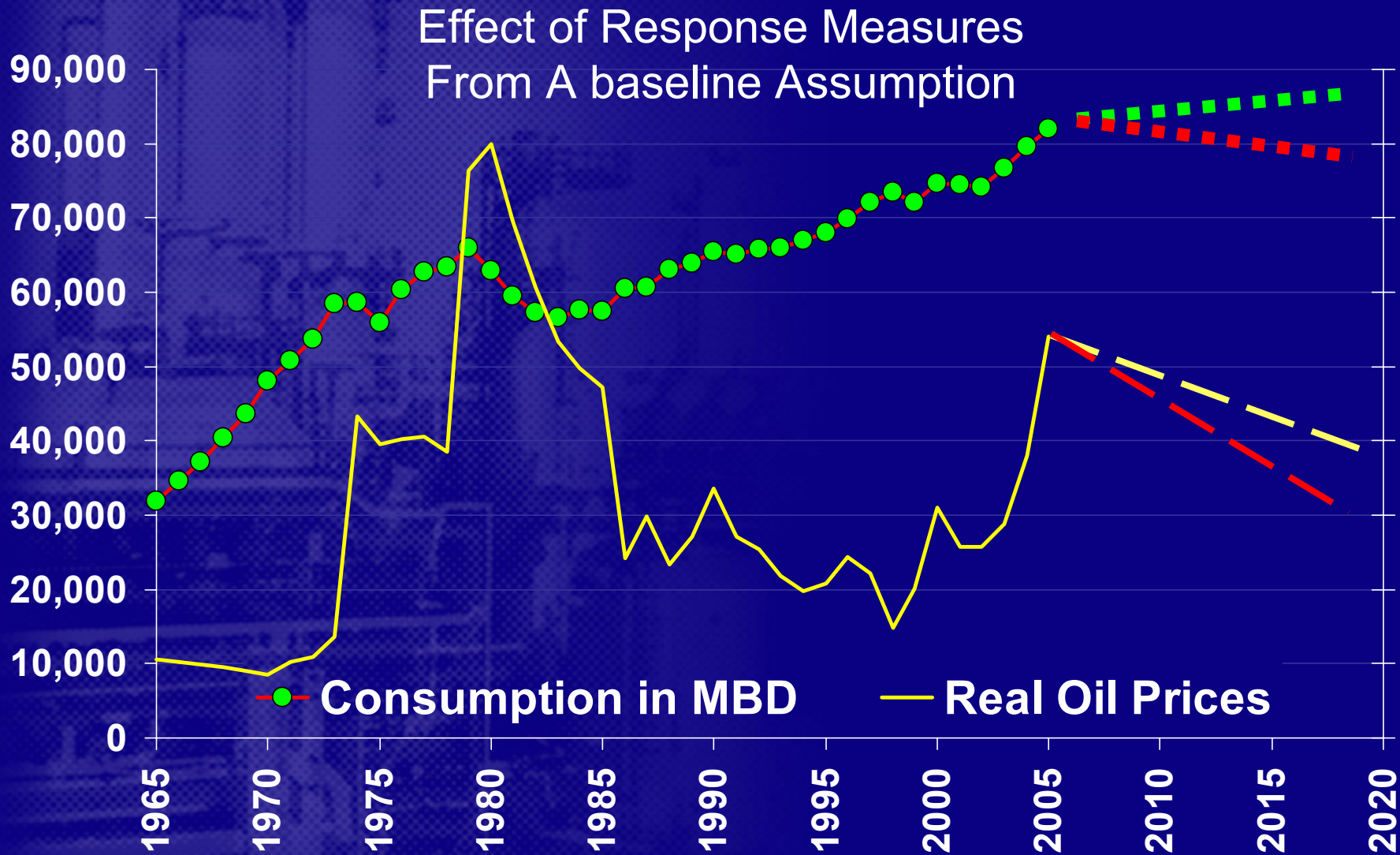


# Demand Forecasts

## Variance Between Forecasted and Actual Call on OPEC



# Forty Years of Consumption & Prices



# OIL PRODUCERS

- Face the Highest Risks
  - Loosing Twice
    - Threatened by Shifting Patterns
    - Lower Export Revenue
    - Higher Import Prices
  - Making Investments
- The Climate Change Regime Acknowledges this Fact
  - UNFCCC Art 4.8 (h)
  - Kyoto Art 2.3 & Art 3.14



# DO WE HAVE THE MARKET INSTRUMENTS?

- Traditional Insurance
  - Frequency of an event
  - Economic consequences
- Non-Traditional Forms
  - Hedging Mechanisms against possible losses
  - Hedging against Risk
  - Stabilizing Funds

# COPMLEX SITUATION .... NO QUICK FIX

- Type of Policy
  - Fiscal Policy (Taxes and Subsidies)
  - Command and Control (Technology Push)
  - Public Process and Outreach (Eco-Labeling)
  - Voluntary Agreements
  - .....
- Many factors to consider
  - Demand
    - Growth / Decline / Trend / Elasticity
  - Revenue
    - Growth / Decline / Trend
  - Time Period

# PRESENTED OPTIONS

- Hedging with Derivatives
- Commodity Price Hedging
- An “Economic Shock” Fund
- Commodity Price Insurance

# THE INSTRUMENTS DO EXIST

- Price Insurance
- Alternative Risk Transfer
- Hedge Funds
- Alternative Risk Financing
- Structured Risk Financing Mechanisms
- Effective Use of Developed Captive Insurance
- Credit & Political Risk Coverage
- Hybrid Insurance Products
- Catastrophe Bonds
- ..... and other instruments

# ACHIEVING RESILIENCE

- **Insurance & Financial Risk Management**
  - **Short Term**
  
- **Economic Diversification**
  - **Long Term**

# ECONOMIC DIVERSIFICATION

- We are working towards it
- It will take long time
- It requires resources
- Help and support is needed
- How much time do we have?

# TIME .....

- Climate Change is a Natural Phenomena
  - It Will Take Time
  - Anthropogenic Emissions Are Expediting The Cycle
  - Something Had To Be Done
  - UNFCCC / KYOTO / ???
- 
- Take Responsibility
  - Be Proactive (**Mitigation**)
  - Be Prepare (**Adaptation**)

## TIME .....

- Sustainable Development is the right of every country
  - It will take time and resources
  - Economic diversification will improve resilience
  - Climate Change Response Measures, are happening now, and they are hitting the resources
  - Something needs to be done
- 
- Take responsibility (4.8/2.3/3.14)
  - Be Proactive (Minimize Adverse Effects)
  - Be Prepared (Insurance)



## NEXT STEPS

- SOLICIT INPUT FROM INDUSTRY EXPERTS
- EVALUATE AND ANALYZE THE DIFFERENT OPTIONS
- IDENTIFY THE BEST OPTION FOR EACH OF THE DIFFERING CASE OF DEVELOPING COUNTRIES' VULNERABILITIES
- IDENTIFY THE ROLE THAT INTERNATIONAL ORGANIZATIONS CAN PLAY

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**THANK YOU**

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