

# EVENT REPORT

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## Financing Climate induced Loss & Damage - Chances and Opportunities of the G7 InsuResilience Initiative

On May 30<sup>th</sup> the Multinational Development Policy Dialogue of the Konrad-Adenauer-Stiftung, the EPP Group in the European Parliament and Bread for the World organized a joined lunch debate. The debate "Financing Climate induced Loss & Damage. Chances and Opportunities of the G7 InsuResilience Initiative" was set in the following context.

From 8<sup>th</sup> to 18<sup>th</sup> of May the Climate Change Intercession in preparation of the 23<sup>rd</sup> Conference of the Parties (COP 23) to the United Nations Framework Convention on Climate Change (UNFCCC) took place in Bonn. While the parties to the UNFCCC still discuss best ways how to implement the Paris Agreement, international stakeholders worry that the international community at this stage, despite all efforts, could fail to keep the global mean temperature under 2° C and respectively limit the temperature increase to 1.5°C with reference to pre-industrial levels. As a result Least Developed Countries and many Small Development Island States are concerned. They are hit worst by climate change induced loss and damage. Thus, a new debate on finance of loss & damage has come up, being an urgent matter of action for the affected countries.

In this context, Germany within the G7 pushed the InsuResilience initiative which aims at providing insurance against climate risks to 400 million poor and vulnerable people in developing countries by 2020. The initiative fosters a partnership between the G7 states and the developing countries, including civil

society, the insurance industry and development banks.

The debate aimed at discussing the current status quo of the international negotiations and efforts on institutionalizing mechanisms of compensation for Loss & Damage. Furthermore questions of the efficiency of such a mechanism, possible impacts regarding the affected countries and how to assess the initiative were to be discussed.



**Mrs. Sabine Minninger**, Policy Advisor on Climate Change at Bread for the World, opened the debate by introducing the speakers to the auditorium and giving a warm welcome to the high level guests. She led to the topic by giving a short speech to the failed adaption to climate change in the most affected countries. Furthermore she mentioned lack of information concerning the issue of loss & damage and the missing concrete examples of measures taken.

Hosted by **MEP Dr. Peter Liese**, EPP-coordinator in the European Parliament's Committee on the Environment, Public Health and Food Safety, the debate then turned on the current international political situation. In light of the "disaster of Taormina", Dr. Liese pointed out, that

the US have not yet stepped away from the Paris agreement. Although this might still happen, the remaining six countries made it very clear, that they will stick to the commitments made at Paris or even go beyond these. At this stage, the implementation of the Paris agreement is of highest priority to the European Parliament. In this context, the efforts of the parliament are going even beyond the commitments made at COP 21, as the parliament is currently discussing on implementing the regulations for effort sharing at an earlier date. Additionally, stricter rules regarding the output of CO<sub>2</sub> in aviation are currently dominating the committee's agenda.

**Mr. Md. Shamsuddoha**, Director of the Center for Participatory Research and Development, situated in Bangladesh described his impressions of the countries' challenges dealing with the consequences of climate change. Mr. Shamsuddoha illustrated the effectiveness of prevention, reducing the total amount of people killed by cyclones from 500.000 in 1970 to 350 in 2009. Although the preventive measures to the tropical cyclones considerably reduced fatalities of human lives, the frequency and intensity of 'rough sea events' increased. Apart from sudden onset disasters, the coastal areas are threatened to be salinized as the sea level continues to rise. This in turn leads to new migration



movements towards the cities, bringing former farmers to the slums. Thus previous efforts to combat poverty are undermined.

In the northeast areas of Bangladesh, the thaw on the surrounding Indian hills has led to the destruction of approximately 1 million tons of rice, forcing a usually net rice exporter to importing rice in order to avoid a famine. Finalizing his speech, Mr. Shamsuddoha highlighted the fact, that loss & damage is already happening and that those who are hit first, are in most cases the poorest members of the respective society. He continued by stating that the current initiative does not reach out to those trapped with no, or so little income that they cannot afford any form of insurance. Therefore, the future incentives should keep in mind the poorest populations and cover their livelihoods and assets loss with other measures like SSN and indirect insurances. Hence, In order to make the climate risk insurance an effective development tool, civil societies and development organisations have to be involved to make it work, and to ensure that the marginalized people do get access to aid after a disaster happened.

**Mr. Frank Fass-Metz**, Undersecretary and Commissioner for Climate Policy & Climate Financing, Global Challenges Division, Federal Ministry of Economic Cooperation and Development (BMZ), outlined the initiative's goal of strengthening already existing insurances in Africa, Latin America and the Caribbean. The benefits of the initiative in this context are at hand: the insurance facilitates emergency assistance and timely reconstruction (1), fosters sustainable development and fights economic causes of migration (2), guarantees the right on compensation of loss & damage caused by climate change (3) and can incentivize prevention-based and risk-reductive attitudes(4). With the InsuResilience initiative, the previous insurance systems were extended through the financial commitments by the G7 of 550 million \$. The extended African Risk capacity insurance came into action after a drought which affected 1.3 million people and

who in turn received insurance benefits in a total amount of 26 million \$. Mr. Fass-Metz then gave an outlook on the final goal of the initiative, being a global partnership on climate change, providing technical assistance, capacity building and financial assistance. Mr. Fass-Metz concluded by arguing that the new commitments made at COP 22 in Marrakesh now need to be implemented as loss & damage are already taking place. In this context, the G20 countries should join the initiative to facilitate common efforts.

**Mrs. Yvon Slingenberg**, Director Dir A, International and Mainstreaming, Directorate General for Climate Action of the European Commission, pointed out the various efforts the European Commission is undertaking concerning the consequences of climate change. In this regard she specifically pointed to the Global Climate Change Alliance plus which is run by the Directorate General for Development and Cooperation of the European Commission. In this context the EU invests 20% of its multiannual financial framework on climate relevant actions. By enabling financial instruments and insurances to be part of the climate adaption program, first steps have been taken. In both the 2013 green paper issued by the European Commission, as well as within the EU Adaption Strategy, insurances are recognized as tool to combat the consequences of climate change. The G7 InsuResilience initiative is supported by the European Union with an amount of approximately 20 million euros. Nevertheless, the insurance cannot be the only answer, the key element is prevention. In this context, only a comprehensive and interlinked disaster risk management combining the elements of prevention, response and recovery can be successful.

**Mr. Sönke Kreft**, Executive Director, Munich Climate Insurance Initiative, depicted the importance of understanding

how insurance works. Insurance has more benefits than providing only pay-outs. It requires to undergo a strict process of identifying your risks, identifying response pathways and finding how an insurance approach will fit. In light of these facts, the InsuResilience initiative, combined with the already existing insurances could potentially be a transformational instrument. In the process of expanding the coverage against climate induced loss & damage, Mr. Kreft gave seven recommendations: the insurance should be embedded in a comprehensive approach (1), it has to provide a defined client value, (2) it has to be affordable for the target group which is not a natural fit (3), it needs to be accessible (4), information and participation of the relevant stakeholders and the society is mandatory (5), it should not be bundled with environmentally harmful or maladaptive measures (6) and finally it should build on reliable partnerships. In concluding his comment, Mr. Kreft argued, that close attention shall be given to incentives related to insurance products.



The following Q&A session was dominated by two overall topics: the question of how to reach the poorest of the respective countries and to provide them with the insurance (1), and the importance of education and financial literacy in the context of understanding insurance in the context of the consequences of climate change (2). The speakers outlined in this regard the important role of public-private-partnerships and the central role of capacity building and prevention. Regarding the reaction of the insurance

industry towards the InsuResilience initiative, the response was very positive.

**Mrs. Sabina Wölkner**, Head of the Multinational Development Policy Dialogue, Konrad-Adenauer-Stiftung, held the final remarks. She underlined the importance of the debate and the necessary shift of support towards the G20. Furthermore, she highlighted the importance of rationalizing climate change through better education and knowledge about how to deal with climate change amongst different stakeholders and the most affected people.