

Expert Workshop

CLIMATE CHANGE AND THE FINANCIAL SECTOR

28 November 2002, Cologne

Opening

Klaus Milke, Member of the Board GERMANYWATCH

Ladies and Gentlemen,
Dear participants,
Dear friends ,

I welcome you very much to this one-day-workshop in the beautiful city of Cologne. And I may thank you very much for coming, especially those from far away, despite the short-term planning of this workshop.

We also thank the Umweltbundesamt in Berlin (UBA) , Gerling-Group and the Free Hanseatic City of Bremen for supporting this event and its documentation.

And I don't want to miss mentioning that the GERMANYWATCH team is One-World-Promotor of the Federal State of North-Rhine Westfalia for the Dialogue with the Business World. We are grateful to receive funding in the framework of this programme from the government of North-Rhine Westfalia.

We are today more participants than expected. This shows the interest in this topic. It seems that we are just right in time with our issues. And from those who can't participate today we received many interesting inputs. We will try to integrate them into our debate.

Let's have a look at today's programme: **Climate Change and the Financial Sector**.

There are some signs that the financial sector discovers climate change more and more as a field of action.

- The World Summit on Sustainable Development in Johannesburg and the Climate Summit in New Delhi are behind us: climate and energy were on the agenda but the results were not sufficient. Especially the South is disappointed with the results of Rio

+ 10. The G77 and China urge the industrialised countries to move forward setting the Kyoto Protocol at last into force – and to take the lead in emissions reductions. There was no real progress at COP 8 in India, only some positive informal steps. But facing the challenge we see that we are running out of time.

- Some even know: we already today lose money and business opportunities. They would like to use as soon as possible the business opportunities with emissions trading and the Kyoto Instruments. We have a specific conflict in Germany with some parts of industry. BASF, E.ON and RWE refuse to use market instruments and boycott a European emissions trading system. On the 10th of December we all will know about the compromise on the EU level when the EU Environment Ministers will meet in Brussels.

- The flood in Germany and the floods and weather catastrophies in other countries this summer. We have to be aware that simultaneously with the flood in Western and Central Europe, but to a much greater extent, the South was affected : in China, Indien, Vietnam and Bangladesh we had enormous damages and hundreds of people died because of permanent rainfall!

- The insurers and especially the Reinsurance Companies as Munich Re and Swiss Re report more and more in details about the vulnerability of countries and specific regions.

Not only floods, but also storms / hurricans and draughts are a growing danger for specifically the poorest countries.

- Tuvalu – the small AOSIS-island in the Pacific gets more and more known and threatened by the rising sea-level , - not only because of tourism. The government of the 10,000 citizens of Tuvalu consider to bring to court the Australians because of their anti-climate coal-dominated policy refusing Kyoto.

- EXXONMobil as one of the most aggressive fossil fuel companies is at the same time in the center of a public campaign of Greenpeace and other NGOs, for example in the framework of the Stopesso-Campaign. More than the 20 percent of the Exxon shareholders have expressed their wish of a more constructive climate policy of Exxon.

- At the same time new alliances between the business world and NGOs are starting: the business initiative e-mission 55 became a strong voice supported by WWF and GERMANWATCH in 2001/2002 to complete the UN negotiations so that the Kyoto framework was fulfilled.

- Greenpeace and the World Business Council for Sustainable Development (WBCSD) co-operated in Johannesburg for the first time.

- Last but not least: In our Climate Responsibility Campaign which we have started this year we focus on the necessity for adaptation: the "GERMANWATCH-Klima-Ausbade-Kampagne", as we call it in German, in cooperation with international networks is pushing the question of "new ways to take over climate responsibility" . And we are in one line with UNEP Executive Director Klaus Töpfer who underlines the necessity of global liability for environmental damages and victims.

Those who are responsible for destruction firstly have to stop their destructive activities (i.e., their GHG-emissions). Secondly they have to pay for the damages and losses of those who are not responsible...

Today our interest is quite focussed. We would like to learn:

How can climate oriented risk management of companies be enforced through the financial markets, the fund managers, raters and shareholders.

What are the interactions between the financial markets and institutional players and the given or future political frameworks?

Our main two questions are:

- How can the financial sector and investment business contribute to integrate the facts and consequences of climate change in their management?

- How can the financial sector manage regulative carbon risks, catalyse an adequate risk management and hence indirectly reduce the risk of damages caused by climate change?

Two examples to illustrate :

Here it seems to be interesting to imagine, what could happen if the EU decides to reduce CO₂ emissions by 30% until 2020 – as the German Government has proposed. Is the regulative risk already included in the current financial analysis?

You all know– or at least will learn today - about the Carbon Disclosure Project where a group of large institutional investors with significant assets wrote to the 500 largest quoted companies in the world by market capitalisation asking for the disclosure of investment-relevant information concerning their greenhouse gas emissions.

There are potential business risks and opportunities related to actions stemming from the perception of climate change and climate politics that have implications for the value of shareholdings in corporations worldwide. Examples of such actions are political and regulatory momentum moving against significant carbon emitters; emissions-sensitive technologies, products and services superseding those existing today; and shifts in consumer sentiment due to a corporation's stance on the issue of climate change.

This suggests that it is time for shareholders to better understand climate change risks and opportunities. The data to assess these issues are not always available and sometimes lack comparability or are of poor quality. This exercise is part of general investment analysis and the signatories have supported a joint information request to reduce costs for the corporations.

The workshop shall enable an open exchange of ideas regarding a more constructive role for the financial sector and investment companies and the removal of possible constraints. We encourage all participants to express their own ideas and not just the positions of their company.

Everyone is invited to give a 3-minute input on the topic. Some participants are invited to give their statement in the morning and others in the beginning of the afternoon.

In the afternoon work groups there will be time to develop concrete ideas in which your participation is most essential. The results of the workshop will be presented anonymously in a documentation to all participants after the workshop.

GERMANWATCH has been conducting a dialogue with the financial sector especially referring the climate issue for many years and will continue to do so. First discussions started in 1994 and one of the first Insurance Companies involved was GERLING.

At different levels we exchanged our views. It was impressing for us that in 1995/96 the UNEP Insurance Industry Initiative was established with the signing of . From that basis the dialogue became more and more constructive. This workshop is also part of this ongoing dialogue.

Next meetings are already planned. The aspect of carbon risk management will play a more and more important role. We will meet there again.

And now I switch over to our moderator of this day, Stefan Rostock. Most of you know him from the the preparations for this workshop or from his activities relating to Sustainable Investment. He is our GERMANWATCH expert in this field.

I hope we all will profit in a non-profit and some also in a profit way from this meeting.

Thank you for your attention.