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 **ACliFF** | ASIA-PACIFIC CLIMATE FINANCE FUND

## Insurance Tools to support Nature-Based Solutions

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## Agenda

1. **Overview of Asia-Pacific Climate Finance Fund (ACliFF)**
2. **Insuring nature: Why?**
3. **Insuring nature: What?**
4. **Insuring nature: How?**

## Context for ACliFF



- Asia and the Pacific is currently responsible for over 50% of global greenhouse gas emissions
- Pathways limiting global warming to 1.5°C require rapid and far-reaching transitions in energy, land, urban and infrastructure (including transport and buildings), and industrial systems
- Region highly prone to disasters, the losses from which are mostly uninsured
  - Disasters caused \$435 billion in direct physical losses in ADB developing member countries from 2012-2021
- Over 60% of the region's population work in sectors most at-risk from climate change impacts
- An urgent need to invest in mitigation and adaptation, with a large gap between actual climate investment and what is needed
  - Infrastructure investment in the energy, transport, water, and telecoms sectors must double to \$1.7 trillion/year in developing Asia – of which \$200 billion is climate-related

Further information: [adb.org/climatebank](https://adb.org/climatebank)

Other sources:

IPCC Special Report – [www.ipcc.ch/sr15/resources/headline-statements/](https://www.ipcc.ch/sr15/resources/headline-statements/)

EM-DAT, CRED – [www.emdat.be](https://www.emdat.be)

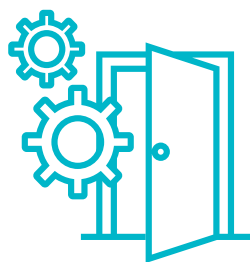


## ACliFF's Approach



Public and  
private  
capital

with  
the  
use of



Financial risk  
management  
products

can  
increase



CLIMATE INVESTMENT

ACliFF is a multi-donor trust fund established with initial support from the Government of Germany, through BMZ

## ACliFF's Approach

Established in 2017, AClIFF is a dedicated fund for supporting the **development and implementation of financial risk management products** to unlock investments in climate change mitigation, adaptation, and disaster risk management.

Financial risk management products supported by the Fund fit at least one of the following criteria:



help scale up adoption of climate technologies



support investment in climate-sensitive sectors, such as agriculture, water and natural resource management



help mobilize new sources of private sector climate financing



address impacts of extreme weather events

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## Insuring Nature: Why?

- Marine coastal ecosystems provide services to individuals, businesses, governments and other stakeholders
  - Supporting livelihoods
  - Contributing to the overall economy
  - Supporting disaster risk reduction
- We have an incentive to preserve and maintain these ecosystems
  - But like other assets, they are also exposed to risks of damage



# Insuring Nature: Why?

## SERVICES PROVIDED BY MCEs



### PROVISIONING SERVICES

including providing food, freshwater, fuelwood, energy, carbon sequestration, biodiversity



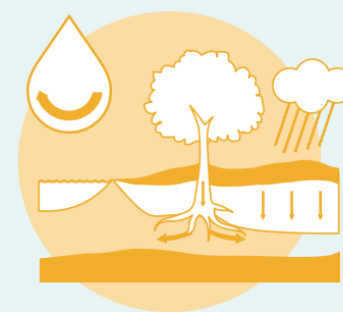
### REGULATING SERVICES

including resilience services, regulation of water and soil quality



### CULTURAL SERVICES

including recreation, tourism, spiritual and religious enrichment



### SUPPORTING SERVICES

including soil formation, water cycling, nutrient cycling





## Insuring Nature: Why?

### Example: Disaster Risk Reduction

#### Coral reef ecosystems

- Reduce wave energy and height
- Reduce the annual expected damages from storms by more than \$4 billion

#### Mangroves

- Reduce wave energy and height
- Provide \$65 billion in flood protection and prevent flooding from affecting 15 million people annually



## Insuring Nature: Why?

It is expected that by 2050:

- 800 million people in coastal areas will be at risk from the impacts of extreme weather events such as rising seas and storm surges
- The expected annual cost is more than \$1 trillion to coastal urban areas

The importance of protecting marine coastal ecosystems providing disaster risk reduction benefits is clear



## Insuring Nature: Why?

### **The capacity of coral reefs to provide disaster risk reduction services is at stake**

- Coral reefs are being lost due to several threats to which they are constantly exposed:
  - Bleaching, due to high sea surface temperatures
  - Habitat loss and degradation due to unsustainable coastal development
  - Overfishing
  - Pollution
  - Careless tourism
  - Natural hazards, such as storms, earthquakes, and volcano ash falls
- Comprehensive approach to risk management is urgently needed, to ensure that coral reefs can continue providing disaster risk reduction (and other) services



## Insuring Nature: What?

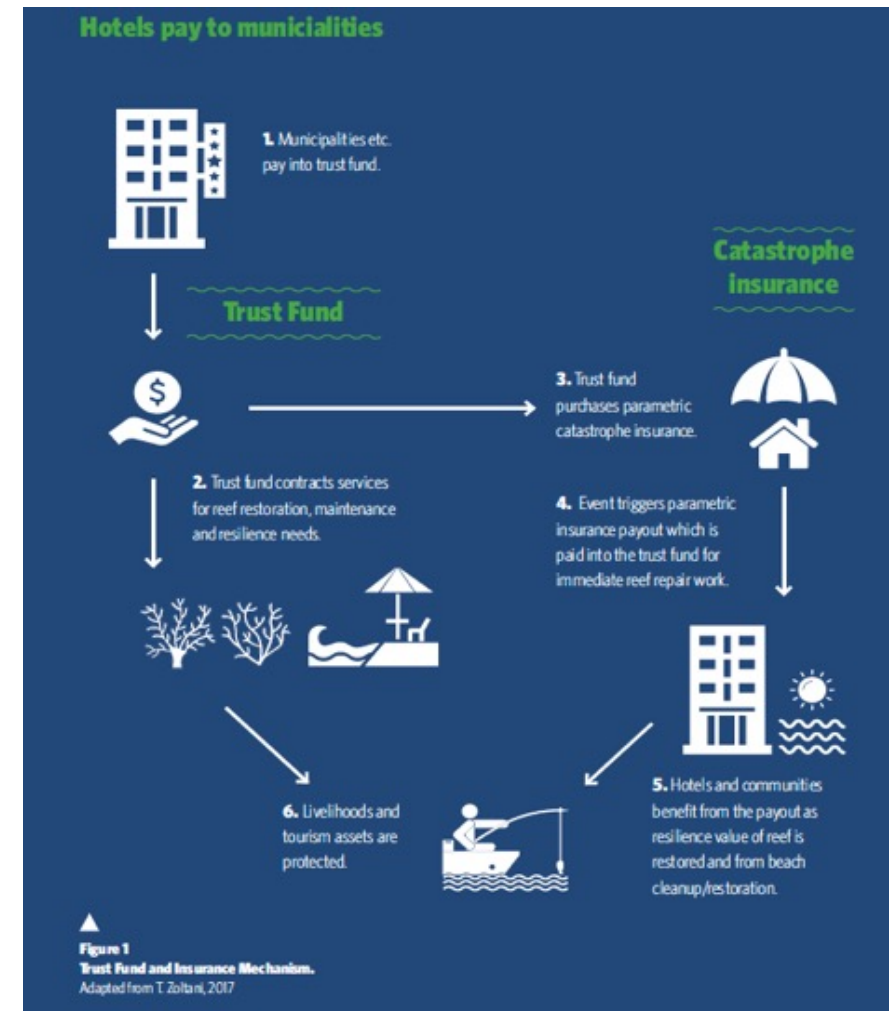
### **Insurance can finance restoration and conservation**

- Insurance against insurable risks can provide rapid financing in the event of a large climate event, for example
- Parametric insurance provides pre-determined payouts based on specified magnitudes of an insured event
- Known payout amounts allow for better planning and preparation of repair and restoration work

# Insuring Nature: What?

## Example: Quintana Roo, Mexico

- Insurance is one piece of a comprehensive risk management approach and is combined with other risk financing tools
- Contributions into a trust fund can support annual restoration and maintenance costs
- Insurance will provide additional financing for high severity, low frequency events to support repair





## Insuring Nature: How?

**The design of sustainable insurance schemes to protect marine coastal ecosystems relies upon a number of factors:**

- Services provided by coral reefs must be quantified
- ‘Owners’ and beneficiaries of the services must be identified
- Risks threatening coral reefs must be insurable
- Insurance should be a cost-efficient tool to restore and protect
- A series of minimum enabling factors must be present in the country where the insurance scheme will be developed



## Coral Reef Finance and Insurance: Asia-Pacific

ACliFF is supporting an ADB project to develop coral reef finance and insurance solutions in four countries:

**The Philippines, Fiji, Solomon Islands, Indonesia**

- Collaboration with coastal tourism businesses, government agencies, insurance industry, academia, local scientists, community organizations
- Will aim to develop and demonstrate the business case for a coral reef maintenance and restoration fund supported by insurance risk transfer solutions





# Thank you

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