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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

Other sources:

IPCC Special Report – www.ipcc.ch/sr15/resources/headline-statements/
EM-DAT, CRED – www.emdat.be

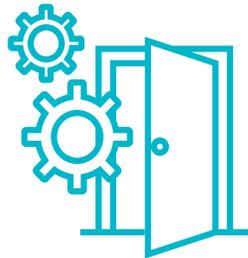


ACliFF's Approach



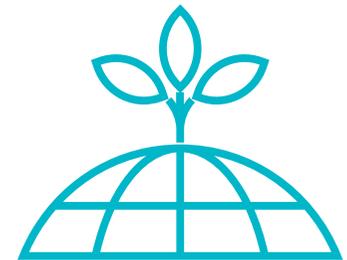
Public and private capital

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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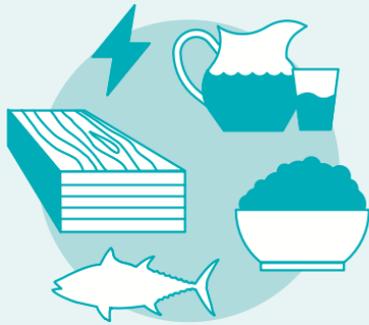


Insuring Nature: Why?

- 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



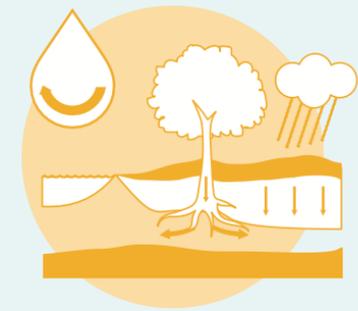
REGULATING SERVICES

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?

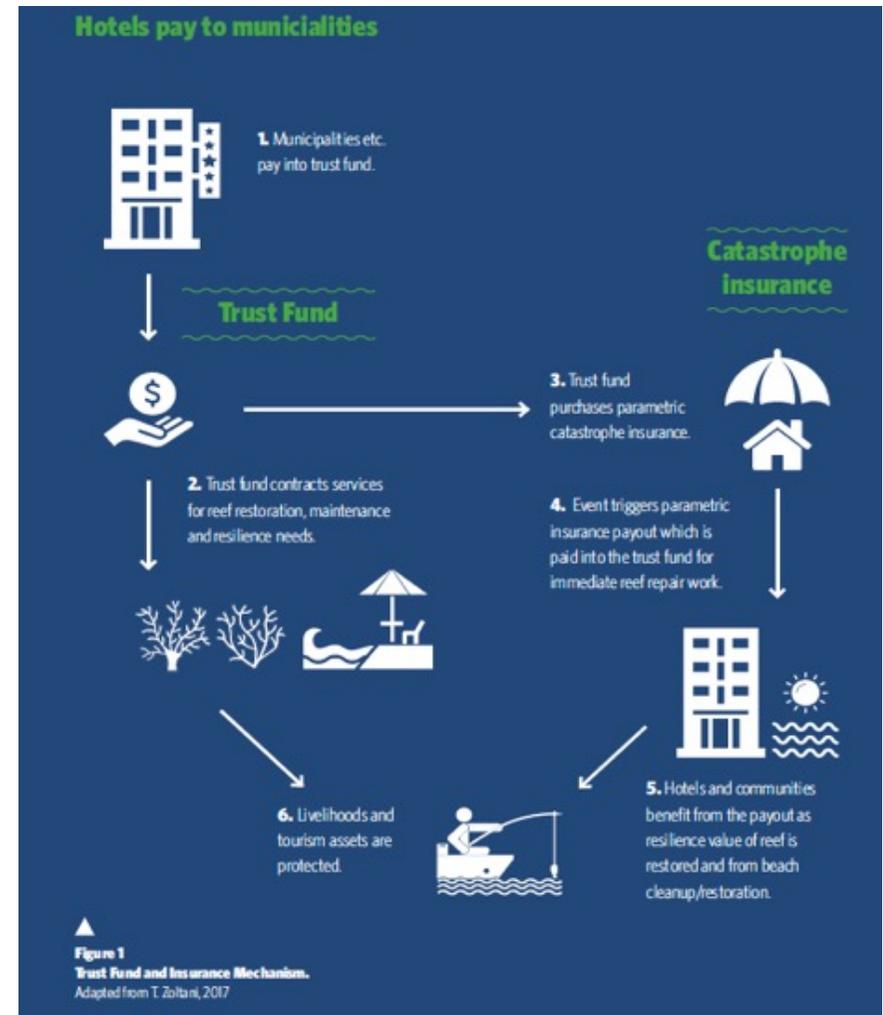
Insurance can finance restoration and conservation

- 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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