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FINANCE IN THE CLIMATE DECADE – EMERGING STEWARDS OF THE NET ZERO, RESILIENT TRANSITION

Rowan Douglas CBE, Head of Climate and Resilience Hub, Willis Towers Watson

Webinar

Friday, 07 May 2021, 14:00 BST

A Word From Today's Chairman



Professor Michael Mainelli

Executive Chairman

Z/Yen Group

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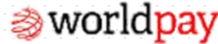
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Today's Agenda



- 14:00 – 14:05 Chairman's Introduction
- 14:05 – 14:30 Keynote Address - Rowan Douglas CBE
- 14:30 – 14:45 Questions & Answers

Today's Speaker



Rowan Douglas CBE

Head of Climate and Resilience Hub

Willis Towers Watson

A satellite view of Earth showing cloud patterns and landmasses. Several black rectangular redaction boxes are placed over the image: one in the top right, one in the middle right, one in the middle left, one in the bottom left, one in the bottom center, and one in the bottom right.

Finance In The Climate Decade – Emerging Stewards Of The Net Zero, Resilient Transition

Rowan Douglas

Head Climate and Resilience Hub, Willis Towers Watson

First Poll:

Looking ahead to 2030 climate objectives, how much emphasis do you think governments and regulators might give to using financial markets as a primary means of driving and implementing the whole economy, net zero, resilient transition.

- High
- Medium
- Low
- None
- Undecided

Key developments



Finance Sector - Emerging Stewards of Whole Economy Transition

Capital filters through the prism of climate risk

- July 2019 – Guildhall Speech by Sarah Breeden, Bank of England
- November 2020 - CoP26 Private Finance Roadmap, Mark Carney
 - Reporting,
 - Risk,
 - Returns
 - Mobilisation
- NGFS 80+ Central Banks and Regulatory Agencies
 - Recent additions of US Federal Reserve and Bank of India
- Financial Sector Momentum – Multiple alignments, GFANZ

An Emerging Synthesis...

Three Overarching Climate Objectives and Framing

- Net Zero
- Resilience
- Just Transition

- Climate and sustainability is the ultimate risk management challenge. Net zero by 2050 /or +4C by 2100

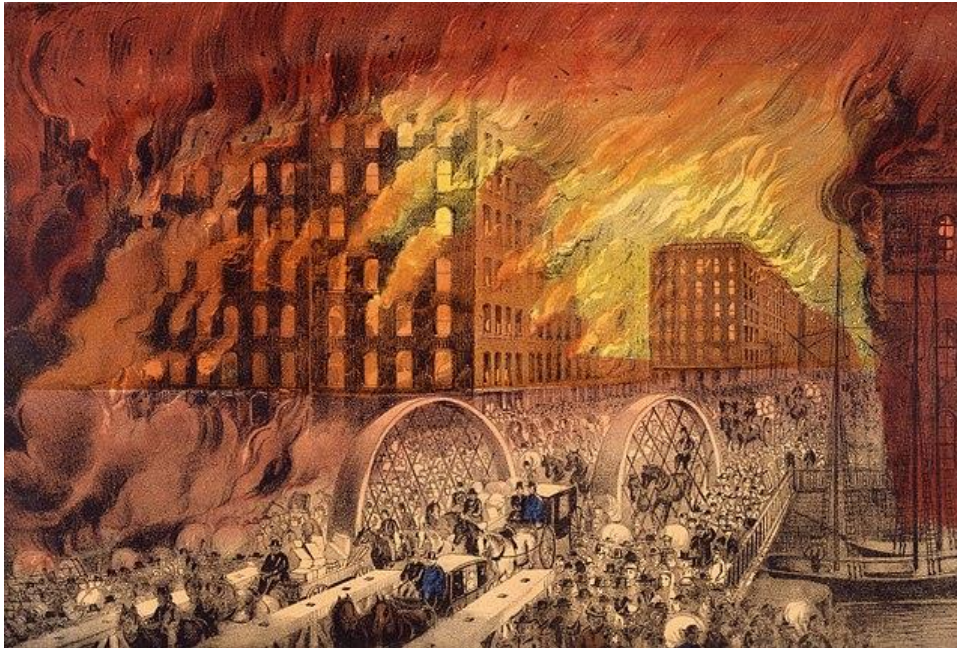
- Access to capital (public and private) will be an essential valve to regulate and manage the transition and the sharing of the costs, benefits and trade-offs of the pathway.

- We do this already: UK Mortgages, insurance requirements, flood risk

- And we have been here before, to manage major transitions

Back to the future: Climate Risk, Credit and Confidence

Great Chicago Fire, Oct 8-10, 1871



100,000 Homeless
78,000 Building Destroyed

Image Source: Currier & Ives

1871 – Strong winds also fed fires in **Wisconsin, Michigan** and Illinois on October 8–9:
Peshtigo Fire – 1,500 – 2,500 dead

1872

Great Boston Fire – destroyed 772 buildings,

1874

Chicago Fire of 1874 – similar to 1871, destroyed 812 structures, fire stopped by new fire proof wall

1877, Paris, Texas largely destroyed

1877, Saint John, New Brunswick destroyed 1,600 buildings

Insurance, widely defined, managed wider transitions

- **Industrial, Economic and Social Transitions - Social Insurance and Welfare**
 - Otto von Bismark – Germany 1870s
 - FDR New Deal – US 1930s
 - UK Churchill/Lloyd George 1908-1911 / Beveridge/Attlee/Bevan 1946-48
- **Technological Transitions / Safety**
 - Steam Boilers, Electrification, Transportation, Industrial Processes
 - Fire insurance, liability insurance, business interruption
- **Tragedies of the Horizons**
 - Life insurance, pensions, annuities, health
- **Insurance systems (public, private, mutual) add important aspects to risk management**
 - Standardised units of risk
 - Distinctive risk intelligence, scenarios and stress testing
 - Risk sharing / litmus test on systemic sustainability
 - Provides a micro and macro valve on access to credit
 - Contrasting UK, US and Australia flood insurance regimes.

Second Poll:

Do you think the history of social, private and mutual insurance in earlier economic transitions indicate that we will need to develop a strategic role for insurance systems to help manage and share the major risks and dislocations across populations and sectors in the response to the Climate Emergency?

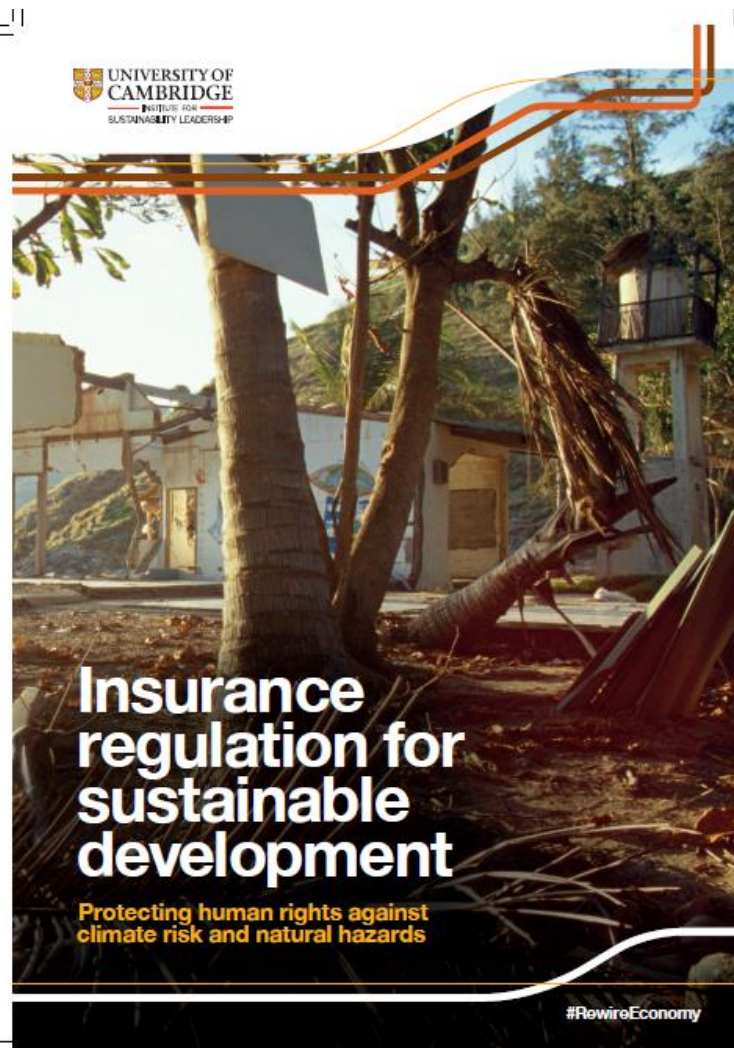
- Strongly agree
- Agree
- Somewhat agree
- Undecided
- Disagree

Financial Regulation, Human Rights and Climate Risks

Emerging Duties of Care against Natural Hazards

As the UN Human Rights Council asserts:

“Natural hazards are not disasters in and of themselves. Whether or not they become disasters depends on the exposure of a community, and its vulnerability and resilience, all factors that can be addressed by human (including State) action. A failure (by governments and other actors) to take reasonable preventative action to reduce exposure and vulnerability and to enhance resilience, as well as to provide mitigation, is therefore a human rights issue” HRC, 2014a



Where might this be heading to support Stewardship and implementation of the climate transition

Resilience

- In wake of widespread physical climate risk disclosure across business and finance a growing use of insurance systems (including *de facto* insurance, such a parametric instruments) to protect and manage access to credit.
- Public finances and contingent climate liabilities (e.g. health or infrastructure)

Net Zero

- Access to underwriting capital (or insurers' investment assets) maybe dependent on emissions commitments. Willis Towers Watson's launch of *Climate Transition Pathways* this week is an early example of this www.climatetransitionpathways.com

Just Transition

- Public resilience interventions, appropriately designed insurance subsidisation
- Liability insurance to highlight and manage insurance related duties of care
- Social security, welfare – to protection sector employees, regions, communities dislocated by the transtition

As others see you...

Evaluating the impact of climate risk on local debt issuers / cities



Bloomberg

Markets

Tech

Pursuits

Politics

Opinion

Businessweek

Moody's Warns Cities to Address Climate Risks or Face Downgrades

By **Christopher Flavelle**

November 29, 2017, 4:00 AM EST

From **Climate Changed**

-
- Communities in Texas, Florida, other coastal states at risk
 - Credit rating agency says it's adding climate to credit risks



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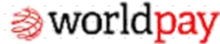
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Thank You For Listening



Forthcoming Events

- Mon, 10 May (15:00-15:45) Leading With Compassion - Building Successful Teams & Influencing Change
- Wed, 12 May (11:00-11:45) Everything Will Be Tokenized: The Future of Identity
- Fri, 14 May (11:00-11:45) China's Green Finance Strategy During The 14th Five-Year Plan
- Mon, 17 May(15:30-16:15) Sequence Risk: The Biggest Investment Risk You've Never Heard Of?

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